CREDIT and

FINANCIAL MANAGEMENT

DEVOTED TO INDUSTRY ★ FINANCE ★ COMMERCE

THE PRESIDENT REVIEWS Story on Pages 5 and 11

Cash Forecasts and Collection Budgets: Both a Responsibility and an Opportunity

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My Biggest Headache—What Management Is Doing About It: A New CFM Feature

How Accounts Receivable Financing Shares In Opening New Territories for Business

SEPTEMBER 1954
Volume 56 No. 9

Editorial

Why Businessmen Hesitate

FOR a number of years federal administrations have complained about the difficulty of getting businessmen into government service. Several reasons are given for their hesitancy to join forces with government.

One commonly hears that the government pay is inadequate and that a successful businessman has to make too large a sacrifice to take a government post. The compensation for government service falls far short of business salaries for competent men, but it is questionable whether that is the primary cause of the difficulty of enlisting businessmen for public service. Like other citizens, businessmen are patriotic, anxious and willing to serve their government when they feel they are qualified to render a good service to the nation. Time and again this has been demonstrated by businessmen accepting government appointments at a personal sacrifice.

Another reason assigned is unwillingness to absorb the punishment that comes with government service. You are working in a goldfish bowl when you work for the government, and political evaluations of your service bring on accusations, smears and embarrassments.

However, businessmen as a rule are not thin skinned. They take plenty of punishment in business and so long as they are at peace with their conscience they are willing to stand up against these blasts. While some men are unwilling to subject themselves and their families to unwarranted criticism, this is not the real cause of the difficulty of enlisting businessmen in government.

The primary cause is one that has not been emphasized. In these years businessmen and other individuals find it difficult to square their thinking with government policy. These people feel it is wrong to accept a position to develop a program to which they cannot subscribe. They know it is not their right to initiate a policy that runs counter to the political philosophy, and the political philosophy in recent years has not been too acceptable to many businessmen.

No one willingly would become a member of a board of directors when his thinking on the policies of the business is entirely at odds with those directing the company. The only circumstance under which he would do this would be in case he had a heavy investment and was forced to battle for its preservation. That is why on occasions businessmen go to Washington and endeavor to work from within to change a policy they don't agree with. In some situations, however, they know their position is hopeless and avoid government service.

Since the first world war, government policies have not been easy to accept. This is true of monetary, agricultural, labor, welfare policies and many other government operations. When an individual is out of step with these policies he naturally feels it is wrong for him to go in and combat them unless there is a thorough understanding of his views and what he intends to do.

Whenever we have government that has abandoned the uneconomic philosophies brought on by the various wars you will find that people will be anxious to make any sacrifices to help government programs. Their attitude may be wrong in not moving in now, but it is well to understand that it is hard to convince them to do so when they feel their mission is contrary to their own convictions and certain to fail.

In all of our civilization there is constantly the desire to live a life and render a service of which your family can be proud. No one wants to be part of a policy that fifty years from now will be evaluated as having been most harmful to the country.

I recall very well an instance in 1933 when a very able congressman, and a very good friend, came to me with a troubled mind. He did not want to go contrary to the Administration, but he did not feel he could vote for abandonment of the gold standard. He saw no reason or justice in doing so. The situation, he felt, did not warrant it. He did vote against the abandonment of the gold standard and the reason he gave me is worth remembering. He said he wanted to have a record in Congress that would not be embarrassing to his children and to his grandchildren.

Henry H. Heimann

HENRY H. HEIMANN,
Executive Vice President

THE SEPTEMBER COVER

BEARING in mind the fact that a principal function of a company treasurer is to build the cash position, what shall be the credit and collections policy?

How one company set it up is described on page 11 by L. W. Stolte (left), vice president and treasurer of Fairbanks, Morse & Co., Chicago, who appears here with Robert H. Morse Jr. (center), president of the company, and R. E. Whiteley, general credit manager.

Many facets of experience figure in the presidency of Mr. Morse—experience of 38 years in the corporation. From factory worker, field sales engineer and branch house and division manager, he went on to assistant sales manager, vice president in charge of operations, then president in 1950. Past president of the Diesel Manufacturers Association of the United States, he is a director of the Continental Illinois National Bank & Trust Co. of Chicago and the American-Motorists Insurance Company.

Mr. Morse is a third-generation head of Fairbanks, Morse. Col. Robert H. Morse, his father, is chairman.

Mr. Stolte, who started in the Cleveland branch in 1928, was established in the Chicago home office in 1945 as general credit manager. The following year he was named secretary; in 1948 also a director; in 1949 treasurer and in 1951 vice president and treasurer.

Always enthusiastic for advancement of the credit profession, he is a past president of the Cleveland Association of Credit Men and has been a director of the Chicago association. He also has headed several national groups.

He is president and a trustee of the John Morse Memorial Foundation and a director and officer of Fairbanks-Morse de Mexico S. A. and Municipal Acceptance Corp., subsidiaries.

Mr. Whiteley, who joined Fairbanks, Morse in 1936 in the Chicago branch accounting department, was transferred in 1945 to Dallas as branch credit manager, in 1948 to St. Louis to head credit activities of that branch, and two years later was advanced to general credit manager of the company.

Mr. Whiteley, also organization-minded, is a director of the Chicago Association and is a member of the board of trustees of the Credit Research Foundation of the National association.

CREDIT and FINANCIAL MANAGEMENT

DEVOTED TO INDUSTRY ★ FINANCE ★ COMMERCE

General Manager, Edwin B. Moran
Official Publication of The National Association of Credit Men

VOLUME 56 **NUMBER 9**

IN THIS ISSUE

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New York, N.Y.—*Publishers Associates,* 1133 Broadway, New York 10, N.Y. WAtkins 9-4290
San Francisco, Calif.—*William A. Ayres Co.,* 233 Sansome St. Phone: YUkon 6-2981
Beverly Hills, Calif.—*William A. Ayres Co. (Lee F. O'Connell),* 111 N. LaCienega Blvd. Phone: CRestview 5-2022
Seattle, Wash.—*William A. Ayres Co. (Lloyd Thorpe),* 604 Medical Arts Bldg., Phone Main 6827

Published monthly on the 21st of month preceding date of issue by the National Association of Credit Men, 404 N. Wesley Ave., Mount Morris, Ill.

Entered as second-class matter Dec. 28, 1951, at the post office at Mount Morris, Illinois, under the Act of March 3, 1879.

Subscription price $3.00 a year, 25c per copy; Canada, $3.50; all other countries, $4.00 postpaid.

Printed in the United States of America.

MPA BPA

Publication Office:
404 N. Wesley Ave., Mount Morris, Ill.

Editorial, Advertising and Executive Offices: 229 Fourth Ave., New York 3, N.Y. ORegon 4-5100. Midwest Office: 33 So. Clark St., Chicago 3, Ill. ANdover 3-3096.

(Address all editorial and advertising material to the New York office.)

WASHINGTON

THOUGH the final score on the legislative program of this session was yet to be written as this issue went pressward, it was clear that the Congress had gone along with the Administration on most of its recommendations. There were the inevitable compromises in some areas, partly for home consumption, some embittered verbal battles and jockeyings, and the legislators turned down a few proposals favored by President Eisenhower, but in the main he can look back upon the results as Congressional support of the program.

Lost for the session were the health reinsurance bill, statehood for Hawaii, extension of the voting franchise to 18-year-olds, and amendments to the Taft-Hartley labor law.

Among the Administration victories of special interest to business, because definitely helpful under the overall objective to get the Government out of competition with private enterprise wherever advisable, was the passage by both houses of the revenue code revision bill, the most ambitious effort in years to streamline the cumbersome and in several respects, punitive, tax laws.

With tax relief to business and individuals estimated at $1,363,000,000 next year by the new law, and even more later, additional concessions such as the excise tax cuts and expiration of excess profits levies combine in a formidable total of $7.5 billions in 1954 tax reductions.

As passed, the bill permits a business to deduct some two-thirds of plant and equipment cost in the first half of the property's useful life, instead of over the entire life of the facility and in equal amounts.

Corporation tax rates continue another year at 25 per cent on the first $25,000, but 52 per cent of the remainder.

Welcomed also by business, though as a compromise, was the 4 per cent dividend credit, in addition to exclusion of the first $50 of dividends from taxable income.

Incidentally, both houses adopted S. 252, introduced early last session by Senator Walter F. George, to permit taxpayers to sue the United States in their district courts to recover internal revenue taxes erroneously assessed or collected. The measure also gives the taxpayer the right of trial by jury.

The Administration's fight for flexible farm price supports squeaked through when the Senate by 49 to 44 adopted the same principle and price scale the House had accepted: 82.5 to 90 per cent of parity level, to be effective January 1st on wheat, corn, cotton, rice and peanuts. The Senate okayed 75 to 90 per cent for dairy price support.

Restoration of business to private enterprise moved another step forward when the atomic energy bill of the Administration (S. 3690 and H.R. 9757) survived a Senate talkathon in which Oregon's stormy petrel (you may also spell it "petrol") supplied a flowery portion of the filibuster words—with roses. More ammunition for the election oratorical fusillades came out of eight days and nights of floor fight which was climaxed by the voting of specific authority to the Atomic Energy Commission to "replace" from private sources electric energy it received from the Tennessee Valley for atomic plants. The final vote: 57 to 28. The opposition's cries of "power trust domination" will reecho in the elections.

Despite these and several other developments in the Administration's moves away from private enterprise, as in the calling for bids on Government-owned synthetic rubber plants, there still are more than 100 lines of business activity in which it is engaged. They run all the way from operation of bakeries, movie studios, steamship lines, to shops manufacturing false teeth.

Other areas of Administration victory, whole or in part, include the following:

All 10 regular appropriation bills were approved.

Britain Drops Cotton Bulk-Buying

From London came word that the British government had introduced an order for a windup of its bulk-buying Raw Cotton Commission on August 31st. Arrangements for private purchase of cotton in Britain are now functioning satisfactorily, explained the minister of materials, Lord Woolton. He told the House of Lords that there no longer was need of apprehension that the United States would place an export subsidy on raw cotton. He declared the American economy's effect worldwide had been under expectations.

The St. Lawrence Seaway project was voted after 30 years of controversy.

The Bricker amendment to limit the President's treaty-making power was staved off.

Reciprocal trade legislation was extended for one year, a temporary compromise.

Most of the housing program was enacted, though the public housing feature was narrowed to one year only, from his request for 35,000 units a year for four years, and there were doubts as many as 10,000 could be built because of the many restrictive provisions.

The Senate ratified a mutual defense treaty with Korea.

Out of the hacking away at the foreign aid authorization measure, House and Senate conferees reached a "three-way" compromise at $3,054,568,000, splitting the difference of $638,080,000 between the House's $3,368,608,000 and the Senate's lower figure. The move restored $314,040,000 of a half billion dollar cut voted earlier by the Senate. The conferees, however, halved the Senate authorization of $10 millions for Point Four aid outside the basic total above.

The farm parity bill was a controversial issue from the start. The wheat farmers of the nation had given referendum-voted approval to strict federal controls on their 1955 production, and Ezra T. Benson, secretary of agriculture, had indicated that price supports on the 1955 wheat crop would be set at not less than 80 per cent of parity, whatever the Congressional vote on the farm bill. Mr. Benson said that "more and more farmers are coming to see that 90 per cent isn't the answer to their problem."

Gyrations of Parity Debate

So many have been the twists and turns in the debates over the Administration's championing of flexible price supports, that there came this anomaly: Introduced by Senator George D. Aiken of Vermont, Republican chairman of the Senate agriculture committee, was an "Administration bill" which contained at least three provisions diametrically opposed to the Administration's flexible price principle. The choice of the Administration was to have no bill reported out whatever, or to face this one, but have forces marshaled to knock out the objectionable provisions on the floor.

One of these provisions called for mandatory 90 per cent supports for corn, wheat, cotton, rice and peanuts for one more year. Another would overrule Secretary Benson's recent establishment of dairy products supports at 75 per cent of parity and would raise them to 85 per cent. A third would start mandatory price supports for small feed grains (oats, rye, barley and grain sorghums) with the support prices varying according to their individual and relative feed values in terms of corn.

The Administration stand stems from the leviathan total of dollars involved in the purchasing and lending upon surplus farm commodities, a mountain ever pushing higher, and speedily so. Before this spring there was a limit of $6,750 millions on the authority of the Commodity Credit Corporation. The fast backing up of surpluses on the Government then necessitated heightening the ceiling to $8,500 millions, and four months later the House banking committee approved a bill to jump the limit to $10,000 millions. Hence the Administration's dilemma.

On the tariff front, the President defended his order raising the tariff on certain imported watches and watch movements up to 50 per cent as a move dictated by national defense as well as the economic difficulties of the domestic industry. He told a press conference it was necessary to preserve 20 or 25 per cent of the watch market for domestic producers, whose skilled workers would be needed for precision tasks in time of national emergency. American producers had testified before the Tariff Commission that the number of employed watchmakers is now one-half the 8,000 total of three years ago. The Office of Defense Mobilization reported that the departments of defense, state, treasury, commerce and labor had agreed that an essential of national security is a domestic watch industry.

So the reason—1954 version—for saving an American segment of industry is that there may be use for its workers sometime in the future for skilled war work.

OFFICIAL TEXTS—of all mobilization agency regulations may be had, free of charge, by writing the Information Division of the agency involved, Washington 25, D.C.

THE FEDERAL REGISTER—a Government daily publication, which contains full texts of all regulations, is available from the Superintendent of Documents, also at Washington 25.

DEFEATED was H.R. 6052, the postal rates readjustment bill, which would have increased firstclass mail rates and added to the costs of credit services. At the other end of this problem of cost of operation of the post office department are the Hoover Commission recommendations to knock out inefficiencies and waste. Some of these recommendations have been adopted. More have not.

SEASONAL fruit and vegetable canners, under a revised definition of small business, now may average employment over a year in deciding if they can qualify for assistance as small business to obtain Government contracts. Under the 500-employees dividing line, small canneries who hired more than 500 for a brief seasonal period had been barred from such aid.

My Biggest HEADACHE

TIGHTENED competition seeds its own crop of "headaches"—at least challenges—for management. True, without situations that test ability the manager would be at best an "order taker"—a credit robot. But the BIGGEST headache! There's a different story.

To provide a clearing desk for exchange of experiences and ideas on how to separate the tares of costly situations from the wheat of profitable operation, *Credit and Financial Management* is opening its columns to presentation of executives' "biggest headaches" and what they are doing about them.

The perennial unearned discount puzzler turns up in force, as was to be expected, but now comes the question in a new form, precipitated by the buyer's market. What to do about the long-time customer, for years discounting faithfully and regularly, but now experiencing reduced net, uncomfortable inventory, slower accounts receivable?

And there are such posers as extension of credit to small sub-contractors lacking minimum ratio requirements, increased diffidence of customers to provide financial statements, incomplete information from salesmen who insist upon "immediate shipment," distributors' and salesmen's lack of understanding of what constitutes good credit, financial and operating methods. And so on.

All management is invited to participate in this pooling of symptoms and to sit in on the diagnoses and prescriptions written by experience.

Repeat Performances And a Theft of Time

DONALD W. BUDD, ***Credit Manager, Smith Brothers, Inc., Poughkeepsie, New York***

DEDUCTION of unearned discount by our customers is our "splitting headache." Perhaps our "headache" is not too terrific in terms of dollars when we consider our sales volume, our number of customers and the average number of orders per customer per year. The majority of our sales are in the range of $60 to $150 per shipment; however, one customer may have anywhere from 1 to 20 shipments for a year. Thus the credit record of the customer who attempts to "steal" discount may come to the writer's desk as many as 10 times or more in that period.

D. W. BUDD

Add to these the number of accounts which, through oversight, may deduct discount erroneously. Then there is the "once a year offender" who attempts discounting to see if he can get away with it but, once reprimanded, crawls back into his "usual good behavior" shell until next year. This totals to a considerable number of discount problems.

Our discount policy is fairly strict. We believe it must be so to prove effective. We usually allow one deduction of discount in error before we return later remittances for correction. If the customer returns the original discounted check, we merely put a "get" amount on his credit card and order card. When his next order arrives, we write a letter requesting the small balance of unearned discount before making shipment. It usually brings the desired results—not only their check but a discouragement of bad habits as well.

We believe we lose very few "good" customers by our strict policy; on the contrary, many come to respect our firm for its definite stand in these matters.

If you do not have a definite and strict policy, by all means adopt one. Without it, you are literally throwing hundreds of dollars in the wastebasket each year, as well as your prestige, for lack of a businesslike attitude in all dealings with your customers. Be strict, but fair.

a challenge to management

Flood of Replies to Debit Memorandum

G. M. LAYNE, ***Controller, Mid-States Steel & Wire Company, Crawfordsville, Indiana***

DURING the past few months, one of the problems confronting us has been the deduction of unearned discounts and the course to pursue to eliminate this unethical practice.


G. M. LAYNE

First of all, every invoice that we send out clearly shows the percentage of discount allowed and the time limit. Regardless of this, our records indicate that more and more accounts, both large and small, are taking unearned discounts.

When an account takes an unearned discount, our accounts receivable section sends out a fully itemized debit memorandum, thus showing the amount the account is open for the discount deducted.

It is surprising how many replies we get back from these debit memorandums. Every reason imaginable is given as to why the discount that was taken should be allowed. Almost every reply insists that discount be allowed as deducted in the remittance. Others flatly advise that they will not pay the discount in question, and some go as far as to threaten that they will be obliged to place future orders elsewhere unless the discount deduction is allowed.

A credit executive who has the responsibility of making this final decision must fully realize that, first of all, he must abide by his company's policy on terms. Yet, by the same token, any aggressive credit man will use every effort available to avoid losing a profitable account over the matter of discount.

When these matters are turned over to our credit department, the account in question is reviewed and analyzed, first to try to find the reason why the account has taken the attitude of trying to deduct unearned discounts. The credit department then sends a personal letter, giving a full explanation as to just why we give discount for payment within our specified time. We explain to the customer that we have only one set of discount terms. We also mention that, in order to turn our accounts receivable at a faster rate, we are willing to take a lower margin of profit. It is also pointed out that we do not deviate from these terms to any one group, and we also state that what is fair to one customer is fair to all customers.

Utmost tact is used when we try to explain that deducting discount and allowing discount are correlated in every business today. We try to point out that if a company demands that its suppliers give additional discount privileges, then for the same reason it is only fair that it pass this same measure on to its customers.

In closing our letter, we explain to these accounts that we appreciate their business but also mention that if we allowed an extended discount privilege to all our accounts, it would be the same as a price concession. We then advise that this cannot be done and ask that the amount of the unearned discount be included in the next remittance.

We sincerely feel that these personal letters will help educate our trade as to just what discount allowances are for, and will also eliminate to a high degree the unfair practice of taking discounts any time within the net due date of the invoice.

In the event that further controversy arises on the matter, especially on a substantial account, we do not hesitate to have one of our field representatives, who has received copies of all the material going to the account, stop in for a personal visit with the customer.

If courtesy and diplomacy are used in a prompt explanation of the matters involved, we feel that this trend of deducting unearned discounts will be reversed.

Personal Selling and Unearned Discounts

RONALD JEANMOUGIN, ***Controller, The Vulcan Copper and Supply Company, Cincinnati, Ohio***

DEDUCTION of unearned cash discount by customers of our Industrial Supply Division is our biggest problem. Our city has five major distributors of mill supplies, and competition is very keen for customer accounts.


R. JEANMOUGIN

Our sales department is naturally averse to any action that would in any way interfere with their relationship with the account. Distributors of mill supplies in some instances handle the same line, or a very similar line, on the same price basis, and so sales depend primarily on service and personal relationship of the salesman with the customer.

We have been lenient in our handling of this matter, allowing the discount but calling the customer and requesting information if there were reasons such as incorrect merchandise, question of price, etc., which prevented payment in the discount period.

We believe this method has reduced the practice, because the customers guilty of this procedure gradually one by one are discontinuing the taking of unearned discounts.

Cautions for Handling Unexplained Deduction

ROBERT WAGNER, ***Credit Executive, Frank Tea and Spice Company, Cincinnati, Ohio***

LACK OF, or incomplete, remittance advice involving unauthorized and/or unexplained deductions is our biggest "headache."

On the first two or three experiences of this nature we accept the checks, and try to handle the bal-

ances through the usual correspondence on such matters.

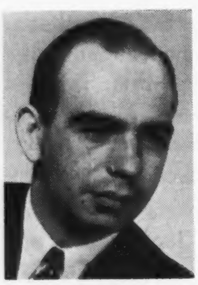
If previous deductions by the account have not been satisfactorily explained or supported by the proper papers, such as a notated freight bill showing shortage or damage, we return the check with a note asking for details on the remittance.

If experience indicates this might delay settlement, we accept the check, the deduction is left open as a balance, and the customer is written for an explanation. The salesman is informed that the terms stand withdrawn pending adjustment.

Refusals to Provide Financial Statement

GEORGE T. SMITH, *Credit Manager, The Aluminum Cooking Utensil Company, Inc., New Kensington, Pennsylvania*

ONE of my "biggest headaches" is that of obtaining financial statements, both interim and fiscal, from customers. Many still exhibit extreme reluctance to provide financial information, and some flatly refuse. We feel that it is becoming increasingly important today to have such information, not only to analyze the credit risk but also to assist our customers.



G. T. SMITH

We have found no simple solution to the problem. When a customer feels that it is unnecessary to furnish a statement or refuses to do so, we try to determine the reason or reasons for his stand.

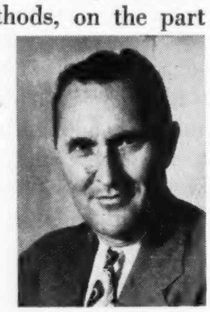
Quite often we are able to point out diplomatically that their reasons are fallacious or that their fears as to the use of the information are groundless. In some cases a personal call on the customer is the only thing that produces results.

One aid that we have found to be quite helpful is the use of one of the statement forms recommended by the National Association of Credit Men. We use form number 5-E and enclose it with our letter requesting a financial statement. When it is properly completed by the customer, we not only have the information we need, but it is unnecessary to retain an envelope in our files as it is a self-mailing form. We have found that the use of this form has materially increased the number of responses to our requests for financial statements.

Buyers and Salesmen Don't Know Methods

C. W. CAYTEN, *Eastern Regional Credit Manager, The General Tire & Rubber Company, New York, N. Y.*

LACK of knowledge and understanding of good credit, financial and operating methods, on the part of some distributors and some of our own sales representatives, is our "biggest headache" and likewise our greatest challenge.



C. W. CAYTEN

We have found business owners and managers need and ask for all the help they can get on business management.

To meet this need, we have set up within the framework of our credit department a business counseling service for our distributors, which includes the following:

(1.) Obtain and review their financial statements periodically.

(2.) Help set up and review sales, operating and expense budgets.

(3.) Establish a simple but adequate bookkeeping system among our distributors so that the results will be comparable.

(4.) Offer advice and counsel on the establishment of sound credit policy and collection procedure.

(5.) Counsel with our distributors on financing plans.

(6.) Produce operating and administrative standards.

(7.) Hold seminars of small groups of our distributors on the above matters.

To implement this program we are training our sales force in many of these procedures so that they too can understand and talk intelligently with our distributors about them.

To the extent we succeed in developing understanding and proficiency in good business methods, so shall we measure our success in credit management for 1954.

And What Is YOUR "BIGGEST HEADACHE?"

MANAGEMENT, be it treasury, credit, office manager or other area of company operation, is invited to cooperate with* Credit and Financial Management *in a continuing feature which can be of practical benefit to all. Set down briefly what you have found to be a particularly aggravating set of circumstances in your situation, and what you have done to overcome it.

There's a double-barreled potential of value to all readers. Presenting your case is an open invitation to other executives to recount from experience how they disposed of theirs.

Remember: Business management yields to no other field of activity in professional courtesy—and courtesy in this instance means cooperation. So jot down some notes on your "Biggest Headache" and what you've done about it. Send to Editor,* Credit and Financial Management, *229 Fourth Ave., New York 3. Be sure to print your name, company, title, and address, and enclose a paragraph or two of biographical highlights.

After seeing recent Hollywood 'epics,' most people agree that if Congress does not remove the amusement tax, it should at least change the name.

—Anonymous

Cash Forecast and Collection Budget Put Credit Management on Its Toes

By L. W. STOLTE
Vice President and Treasurer
Fairbanks, Morse & Co.
Chicago, Illinois

ONE of the prime responsibilities of the credit executive is to guard his company's working capital invested in accounts receivable. One of the principal jobs of the treasurer is to build the cash position of his company. Our entire way of life revolves around cash or credit. Almost all the causes of bad debts, such as inefficient management, under-capitalization, poor receivables, high inventories and excess dividends, directly involve the cash account. Abundance of that "green stuff" may even cover up for poor management insofar as it is a cause of bad debts.

Corporations in the post-war years have gone heavily into debt to finance plant expansion, to carry heavier inventories, and because of higher receivables resulting from increased business, not to mention the impact of heavy taxes. Profits retained in the business and depreciation reserves cannot meet the total cash requirements. This does not mean that we have become poorer. Industry has plowed back a substantial percentage of earnings, which means that industry's balance sheet will show the asset side has increased at a faster rate than its liabilities.

It is significant to note the heavy use of consumer credit, business borrowings, large deficits by the federal government, and record borrowings by state and other political subdivisions to finance public works, which all have been necessary in order to keep business as good as it is.

Both Credit and Collections

When I think of the responsibilities of the credit executive, I have in mind not only credit granting but the collection phase of credit work. Many large companies have credit departments and collection departments, each under a separate manager, but in the eyes of the treasurer both represent the credit function in the business.

Part of the credit executive's duties is development of a sound credit and collection policy which in turn will build profitable business and still assist the treasurer in meeting his cash requirements. The credit executive, by constructive analysis and keen judgment, must adopt a credit policy that is conservative yet rehabilitates customers who have had financial difficulties, plus an efficient and yet flexible collection policy that will turn receivables into cash at maturity or within a reasonable time thereafter.

We try to impress each of our branch credit managers that he must be sure he is doing an efficient and thorough collection job before he talks about tightening up on credit.

"Any plan for budgeting cash must include a cash forecast."
—L. W. Stolte.

Credit is a promise to pay, so you must always be sure there is a clear understanding as to how and when payment is to be made. Only then should you ask for your money. And be sincere.

The credit department is the largest normal source of cash for the treasurer. Credit managers have a responsibility to the treasurer in meeting their estimates of collections which have to be used by him in budgeting expenses, purchases, dividends, and capital expenditures of the business.

Here, briefly, is what we expect of our general credit manager, along the lines of budgeting of collections, and how he in turn passes part of this responsibility onto the branch or district credit manager. We make a cash forecast monthly in our company. Any plan for budgeting cash must include a cash forecast.

Several years ago we decided to change our method of analyzing and aging accounts receivable. Our company was going through a growing period, with large sales gains accompanied by the usual working capital problems. We decided that management had to know more about our accounts and that we must have a fairly good idea how much we could expect in collections each month.

Categories: Regular and Deferred

The problem was not too easy to solve because of the nature of our business. We make and sell a variety of products and so practically everyone in business is a potential customer. Our terms of sale are as varied as our products and run from 30 days net for motors, and 60 days 2% 10th prox. for small water systems, to progress payments for large pumps and Diesel engines. Moreover, a large bulk of our business is made up of special equipment sold with payments on an instalment basis or on completion of tests and acceptance. For these reasons it was decided to split our accounts into two categories: (1) regular accounts, and (2) deferred accounts.

Regular accounts are made up of those accounts having terms of sale of 60 days or less. Anything carrying terms beyond 60 days is classified as deferred. Regular accounts are aged from one day on, so that each month we know the total amount past due and calculate the percentage uncollected.

These monthly percentages of uncollected accounts did not mean too much until we had about a year's experience behind us. At the end of the first year's operation, patterns were pretty well established for the various branches and for the company as a whole. For example, we determined that Branch "A" had an average of 24% uncollected for 12 months, while Branch "B" had 30%, and so on.

Now we felt that if Branch "A" showed a 76% collection of regular accounts for 12 months, it was reasonable to assume they would collect about this same figure for the

coming month; the same would hold true for Branch "B", etc. To this we added those deferred accounts scheduled for payment in order to arrive at a total forecast. Some branches quickly established themselves as superior to others.

The next step was to set up a bogey or quota each month. It was felt that the least we should expect from each branch would be the average of all branches. Then those branches superior to the total branch average were expected to collect on the average they had already established. Assuming the company average was 75%, we would expect those branches whose average was less than 75% to collect at least 75%; those branches whose averages were better were to collect up to their average.

Whenever a branch misses a forecast by 5% or more, it is required to send a letter of explanation. (This is commonly referred to as an "alibi" letter.)

The advantage of this plan is that it gives each credit manager a goal, something to strive for. We can measure his efforts and provide a fair comparison. And the general credit manager is in a position to provide me with a monthly forecast of collections which I can include in my cash budget.

A recent check of the forecasting disclosed the following: For a certain collection period we forecast collections of $50,030,788. Actual collections amounted to $49,631,532, a difference of less than 1%.

We try to impress our credit managers with the important part they play in the overall financial problems of our company. You can readily appreciate how a 5% or 10% drop in collections affects the treasurer's cash budget. With annual sales running over $100 millions, this could mean a drop in cash of $5 millions or $10 millions, and our borrowings might have to be increased by an equal amount.

***Many credit executives try to cover up too loose a credit policy with too strict a collection policy, or vice versa. I am a firm believer in the theory that you can have a rather liberal credit policy and a firm collection policy. Never be ashamed to ask for your money when it is due. You don't have to be a sourpuss—customer goodwill is important—but I don't advocate the policy that the customers are always right. They are generally fair-minded.*—L. W. Stolte**

Delusions of "Easy" Credit

The manner in which a company's bills are paid depends in many instances on how efficiently and courteously the credit and collection department is conducted. Too many credit executives say "that is the treasurer's headache." Not every business is in a position to borrow and continue to borrow money for meeting its trade obligations.

It is unfortunate that we still have business executives who honestly believe that a substantial bank balance calls for "easy" credit. "Easy" credit is only a temporary relief for a drag in sales. The true obligation is to control an orderly movement of credit and keep business on a safe and even course.

OVER THE BOUNDING MAIN, that is, the waters bounding mainly Manhattan. Before opening a two-day New York session of the National Construction Machinery Credit Group, members were guests of the Port of New York Authority on a water tour of the harbor facilities. The executive committee members, with or without hasty bolting of mal de mer tablets, were photographed at the rail of the S.S. Islander. (L. to R.) Maurice Johnson, Manitowoc Shipbuilding Co., Manitowoc, Wis.; John H. Peto, Worthington Corp., Harrison, N.J.; Otto Scheimann, American Steel Dredge Co., Inc., Ft. Wayne, Ind.; Carl G. Allen, Chicago Association of Credit Men, Group secretary; M. A. Gayman, The Jaeger Machine Co., Columbus, Ohio; and George R. Cashell, Barnes Manufacturing Co., Mansfield, Ohio.

Points Peril in Teachings of Several Sociology Textbooks

Facts are being distorted by some widely used sociology textbooks to put over un-American doctrines, says Dr. A. H. Hobbs, professor of sociology at the University of Pennsylvania. Eight controversial and fallacious conclusions drawn by the writers of these textbooks are listed by Dr. Hobbs:

(1) That religion should discard supernaturalism and concentrate on crusades against certain economic and social conditions; (2) Educational principles involving discipline, and teaching traditional beliefs on government, family and the economic system, are harmful; (3) Government should provide security and increase its control over business as one phase of broader social planning; (4) Government control and planning by "social engineers" will eliminate maldistribution of wealth and income; (5) Social controls promote "cultural lag" and rationality should be the criterion; (6) Social controls in America are no better or worse than in other countries, including Communist Russia; (7) The rising divorce rate may be a good sign; (8) Personality is formed largely through "cultural conditioning."

To which President George S. Benson of Harding College in Searcy, Ark., adds: "This nation's best hope for continuing freedom and progress lies in our oncoming generation's gaining a clear enough understanding of the basic elements of faith in God, our Constitutional republic and our private enterprise economy, not to be led astray by doctrines that would destroy them."

Credit As Aid to World Peace

Declaring it "an opportunity to counter communist propaganda by showing the way to true economic security and independence," H. B. Yates, president of the Credit Union National Association of Madison, Wis., said CUNA has set up a new department to promote establishment of credit unions abroad. There are units in Indonesia and Fiji.

Says 25 to 40% Staff Time Should Be Spent in the Field

Too many staff executives "spend too much time 'putting out fires' rather than carrying out the important aspects of their jobs. They should spend between 25 and 40 per cent of their time, based on the type of staff and the job requirements, visiting operating people in the field," says Walter A. Giles, vice president and general manager, New York Telephone Company. Addressing members of the New York City Control of the Controllers Institute of America, Mr. Giles declared, "One of the big problems confronting controllers, personnel managers, public relations directors and other staff executives is the misuse of their time by higher management and the operating personnel." The telephone executive cited these misuses of staff time:

Excessive demands for detail information or requests for the same information from different staff groups.

Failure to make requests clear, particularly with respect to detail and accuracy required.

Staff people say that when they are at a loss to know the amount of detail or degree of accuracy required, they attempt to provide all the information to the greatest degree of accuracy. This could be corrected by letting the staff know it is free to come back to clarify the question or to determine which staff group should handle the request, said Mr. Giles. Often an answer advising that the staff recognizes the situation and is helping the operating people to correct it would be acceptable.

"Top management also errs when it holds staff responsible for failure that should be charged to the field organization, or in asking the staff to take corrective action which normally should be referred to the line organization."

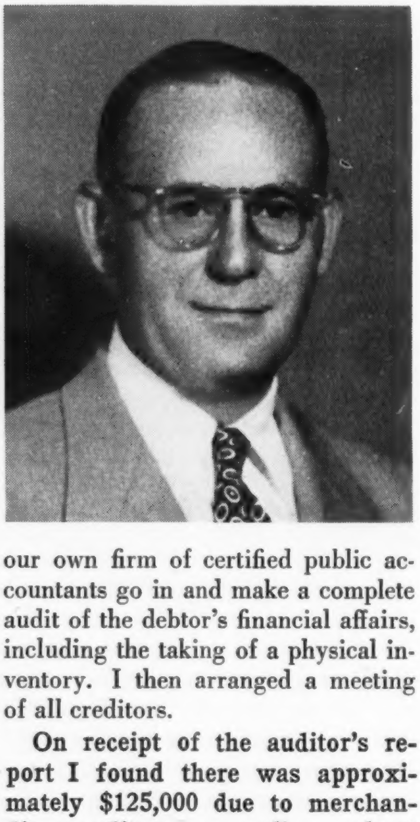
Operating personnel in the field sometimes impair staff efficiency by asking staff to make field decisions, or by shifting the blame for operating failures on the staff. Other improper uses in this area, Mr. Giles noted, include calling upon staff for information already covered in practices or using them for an easy information center; forcing staff to review insufficient or incorrect information; referring work to the staff that should be handled by the field, and asking staff to coordinate matters with other departments which should be coordinated at the local level.

A Problem for the Book and How It Was Solved

A Feature Series on MANAGEMENT AT WORK

WHEN a deficit of $80,000 is turned into a net worth of $92,000 in five years, with all old creditors paid in full, a treasury and credit executive has indeed qualified for the title of Credit Doctor, and with a summa cum laude, we might add. Here is a story of the development of a sickly account into a healthy customer, profitable both to himself and to the supplier.—Ed.

By MARTIN B. WEINSTOCK
Secretary-Treasurer
M. J. Merkin Paint Company
New York, New York



THE VISIT was unexpected, and a shock to the writer. Across my desk stood a man who over the years had been prone to frown upon credit men—virtually detested the sight of them.

When I asked the purpose of his visit he broke down, and actually began to cry.

It seems that after having been in business 20 years he suddenly realized that he was hopelessly insolvent. He owed a low six-figure amount to his merchandise creditors, a low five-figure bank loan, and a sizable total of personal debts. He said his affairs were so jumbled he couldn't make head or tail of them and that the accountant he employed knew less about them than he did. His creditors were hounding him for money and a great many post-dated checks he had handed out were beginning to bounce. Unless something were done quickly he feared an involuntary petition in bankruptcy would be filed against him.

I inquired why he had come to me with his troubles. He frankly admitted that he had made so many enemies among his creditors that he felt I was the only one he could trust with his affairs. Of course that was flattering, but I immediately advised him that I could not inject myself into his picture unless he would follow my advice implicitly. He agreed.

The first move I made was to have our own firm of certified public accountants go in and make a complete audit of the debtor's financial affairs, including the taking of a physical inventory. I then arranged a meeting of all creditors.

On receipt of the auditor's report I found there was approximately $125,000 due to merchandise creditors, as well as about $20,000 owing to banks and others. Of $65,000 in accounts receivable, more than half were a year old, or over, and the remainder were of questionable value. The inventory amounted to $40,000, of which $15,000 was obsolete stock—some of it ten years old, or more. Fixtures and other assets amounted to about $5,000. That was the financial picture.

Now on the credit side were these facts. The dealer had a very desirable location and owned the building. His potential of retail sales was very good. It was obvious that the big reason for his financial difficulties was carelessness in methods of operation.

The picture was presented to the creditors attending the meeting. The consensus was to file an involuntary petition in bankruptcy and close up the business, take the losses and forget about them.

The writer, however, prevailed upon them to work out an extension arrangement whereunder the debtor was to pay everyone 100 cents on the dollar and we could keep him in business and so retain a large amount of sales volume we all could enjoy. It took quite a bit of persuading, but finally the creditors agreed and the following arrangements were effected.

First of all, the writer was elected chairman of a creditors' committee, consisting of six of the largest creditors. All checks were to be countersigned. Furthermore, all orders for material were to be cleared and approved. Our accountants were employed to audit the books monthly; a complete new double entry set of records was established and a competent bookkeeper employed; a system set up for control of cash sales; no credit was to be extended to anyone without advance clearance of the account; and a systematic follow-up on collections was initiated.

It was further agreed that all current purchases were to be treated as preferred debts and that all purchases of any one month were to be discounted on the 10th proximo. In addition, arrangement was made to pay all creditors a dividend of not less than 2 per cent per month, starting 90 days from the date the agreement became effective.

As you can well imagine, this project was a sizable one and required

very close attention at all times. Watching purchases, avoiding all unnecessary expenditures, eliminating bad credit risks, marking up merchandise with a sufficient margin of profit to insure payment of all bills and expenses and still leave a profit—all this really took some doing.

The owner did not take very kindly to direction and supervision, and there was frequent clashing of personalities. By sheer willpower, however, we prevailed. And the results were absolutely astonishing.

Within five years all old creditors were paid in full. From a deficit of some $80,000 the business was developed into a net worth of $92,000. All current purchases were discounted on the 10th of each month and the bank loan was paid off in full. All personal debts were discharged, and very substantial cash balances were maintained at all times.

Suffice it to say that today this account enjoys an annual business approximating a million dollars, most of it in cash retail sales. All the original creditors are enjoying a very handsome volume of business, and everyone is happy.

The greatest difference is in the attitude of the debtor. He found that it was greatly to his advantage to be friendly and cooperative with everyone, and that to avoid trouble the best and easier way is to seek advice on important matters.

THE 32 years of Martin B. Weinstock with one company have seen his rise from a bookkeeper to secretary-treasurer of the corporation. It was in October, 1922, that he joined M. J. Merkin Paint Co., Inc., New York City. Seven years later he was secretary and a director; in September of 1952 he was elevated to secretary-treasurer. He is also assistant secretary and assistant treasurer of Lewis Asphalt Engineering Corporation, a subsidiary company.

Mr. Weinstock has been continuously a director or officer of the Paint & Allied Industries Credit Association, affiliated with the New York Credit & Financial Management Association, since 1926. President of the affiliate in 1938, he was reelected this year. Besides having been chairman of the credit and collections committee of the New York Paint, Varnish and Lacquer Association, and a director of the New York Credit Men's Adjustment Bureau, he is on the budget and auditing committee.

QUESTIONS FOR THE THOUGHTFUL BUSINESSMAN

1. How long is my business going to continue at its present volume?
2. How stable is the income, both commercial and agricultural, in my community?
3. How dependent is my trade area on so-called defense expenditures?
4. What would I do if my sales volume were to drop 10%—25% or more?
5. What is my so-called "break-even point"—that is, how much business do I have to do each month to pay expenses?
6. What expenses can I eliminate and still keep my business operating efficiently in the event of a drastic decline in sales volume?
7. How would I pay my present debts? What can I do now to reduce these debts?
8. How sound are my assets—particularly my accounts receivable and inventory? How much do I know about the actual financial condition of the accounts which owe me substantial amounts? How sound is my credit policy and how vigorously am I pushing my collections? Is an aging of my accounts receivable placed before me each month?

   Do I know the turnover of all commodities in my inventory? What am I doing to reduce slow-moving items? Do I have a program for elimination of obsolete stock? Are my purchasing policies sound and my inventory control adequate?
9. How do my operations compare with others in my line of business? Is my business as profitable or as liquid as my competitors'?
10. Knowing that heavy expenses and debts are the two factors which have caused business organizations to fail from time immemorial, what can and should I do to reduce both of them to the lowest possible figure—not next week or next month, but right now?

MAY WE SUGGEST THESE BASIC RULES OF BUSINESS

1. A cash balance of sufficient size to take care of contingencies.
2. A proper relationship between debts and net worth.
3. An inventory in proper balance to insure rapid turnover.
4. Personal firsthand knowledge concerning the collectibility of accounts receivable.
5. A satisfactory profit on every sale.

TEN questions and five suggested basic rules of business operations are put by United States Gypsum Company, Chicago, and its general credit manager, Harry Lee Judd, Jr., in the above, reproduced from the latest of the company's brochures, a series of signal public relations promotions for successful management. Writes Mr. Judd, to customers, actual or potential: "The Credit Department of United States Gypsum Company welcomes the opportunity to discuss your financial problems and the above basic rules with you in the hope that you will find the experience of its personnel helpful in furthering the success of your business."

Bank Offers "Gift-Wrapped" Special Occasion Checks

BUSINESS and art have produced a personalized new look in bank checks, the "special occasion gift check" now being offered by the Bank of the Manhattan Company. In the belief that an artistically designed check would make the always-welcome gift of money even more attractive, the Bank commissioned American painter Lumen Martin Winter, to create the pictures and design on the checks and their enclosing folder.

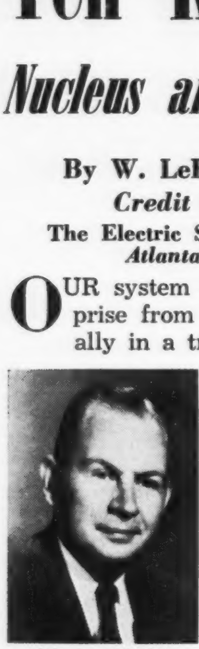
The checks are designed for birthdays, weddings, graduation, Christmas, Father's Day and Mother's Day, with one check depicting a blonde maiden with a cornucopia, intended as a general gift check. The checks are accompanied by matching gift jackets and separate white envelopes which can serve for mailing or as gift-wrapping. Each set consisting of check, jacket and envelope is packaged separately in a glassine envelope to assure a neat appearance. Each set costs 25 cents and neither the purchaser nor the payee need be a customer of the bank. The cancelled check may be returned either to the purchaser or to the payee as a memento.

Ten Keys to Up-to-Minute Management

Nucleus and Stimulant in Independent and Personal Plan of Action

By W. LeROY HOUSE
Credit Manager
The Electric Supply Company
Atlanta, Georgia

OUR system of business enterprise from its nature is usually in a transient state, with waves of activity which result from many external forces. The very fluidity of our economy presents a challenge. Business executives constantly must be on the alert to adapt their policies and methods to meet changing conditions. The flexibility of the program and the ingenuity of management determine the degree of success.



W. L. HOUSE

It must be remembered, however, that we are not operating in an entirely free economy. The force and restriction of government action are felt in many segments of business and thus have a tangible overall effect.

Today's business problems present an enormous challenge creditwise, and afford the credit man an excellent opportunity for positive thinking and action to find the proper solutions. An analysis of the current business forecasts reveals several problems which very closely affect credit. Without an attempt at oversimplification these appear to be the major problems:

1. The heightened competition creates difficulties in sales and sales policies.

2. The reaction by business, both externally and internally, exerts a pronounced effect upon credit policies and the relationship between the credit department and the customer, also that between the credit department and other departments within the company.

3. The tightened financial situation which usually accompanies deflationary trends poses for the credit executive the very real problem of prompt and orderly liquidation of his accounts receivable.

4. Reports of continued rise in the number of business failures accent the vigilance required in the extension of credit both to old and new customers.

In the consideration of these economic problems of the credit executive one must become increasingly aware that credit is the catalyst in the caldron of commerce which performs the chemistry necessary to maintain an active and healthy economy.

The complexity of our commercial activity increases with each generation. Yesterday's problems seem simpler than today's. Each new age brings its own perplexity. But not all the challenges facing the credit executive today are solely of business economics; some affect his personal development.

High Caliber Management

The steadily rising importance of credit in our sensitive distributive system makes imperative an increasingly high caliber of credit and financial management. It is incumbent on each of us to endeavor ceaselessly to raise our standards so as to be prepared for our role in this evolution of enterprise.

W. Le Roy House, credit manager, The Electric Supply Company, Atlanta, is a graduate of the University of Georgia, Atlanta Division, where he received the university's first B.B.A. degree in credit management. Mr. House was presented the Fellow Award in 1952. He is vice president of the Georgia Association of Credit Management, and a member of the National Credit Education Committee.

Flexible Course of Action

A progressive civilization demands higher standards. Everything now being done can be done better. Every method can be improved, every skill increased. The development of the individual's latent abilities shapes these potentialities into realities. It is paradoxical that the real values of life are intangible, such as character, ethics, education. To inspire individuals to develop their skills and to create in them the desire for self-improvement is one of America's most vital tasks.

In this age of specialization, the individual who would survive the fierce occupational competition must strive to improve his own position. This begins basically with education, the foundation for enlarged opportunities. The capacity for growth and vision determines his success.

Certainty and objective are elements of successful planning. It is important to lay out a course of action for the goal we seek, yet flexible enough to permit us to meet changing conditions and adapt ourselves to them. Once blueprinted, the plan serves as a guide to achievement.

Ten Keys to Management

To hurdle the obstacles confronting the credit executive today, the following 10-point program is suggested. This may form the nucleus, and the stimulant, for an independent and personal course of action, because only *you* can develop the program which will suit *your* needs.

1. Analyze your problems. Make a careful analysis of the immediate and the long range problems peculiar to you and your company. It is the local application of broad principles which gives definiteness to your program. Keep your relationship to your company in mind. Careful self-analysis is the key to self-discipline; you must know where you are now and where you want to go before charting your course.

2. Coordinate policy. Evaluate your credit policy and coordinate it with the sales and other policies of the firm, to produce the most satisfactory sales volume commensurate with sound credit practices.

3. Screen accounts. Study not only the new account applications to insure that only worthy ones are accepted but also present accounts to justify their continuance. Such a program would protect one of the more valuable assets in the balance sheet.

4. Keep accounts receivable liquid. Effective collection methods best keep accounts receivable liquid. A system which does not allow accounts to age on the books is essential to maintenance of adequate working capital and curtailment of credit problems. This may very well be the year's hardest task.

5. Maintain customer contact. Many credit problems arise from a lack of knowledge of the customer, his business and his problems. Maintaining a closer contact with the customer will afford advance notice

Many a man sees the wolf at the door because his wife saw the fox in the window.
—Anonymous

of danger spots and the necessary steps to avoid them.

6. Counsel with the customer. The credit manager dealing with many firms of the same type gathers a reservoir of information about their operations. In the role of adviser the credit manager can be of invaluable assistance to his customer. It is good business to keep the outlets for your distribution healthy.

7. Participate in association activities. Attendance at industry group sessions and monthly meetings, and helping to make the unit stronger, will also help make the individual stronger. Keep well informed on credit matters. Good members make a good association, and a good association contributes to improved business conditions.

8. Prepare for your future. Increase your stature as a credit executive by continued study. Opportunities are offered by local chapters of the National Institute of Credit, many of our fine universities, and the Graduate School of Credit and Financial Management. To learn of new methods take advantage of informal educational opportunities offered by clinics, seminars, symposiums, panels, forums, institutes and conferences.

9. Adopt a balanced reading program. A well-rounded selection of the current literature and periodicals on credit and related subjects will reveal the trend of business. Current economic data and indicators may provide the barometer for determining flexibility of credit policy.

10. Make yourself valuable as an executive. Exerting leadership in the credit and financial affairs of your company will strengthen your position on the management team. Think and act on the executive level, realizing the full measure of your responsibility.

Adoption of a personal development program will crystallize the credit man's principles, establish his goal, stimulate his thinking and help solve his problems.

These suggestions are not offered as a panacea, but to point out that it is advantageous to have a plan, to pin-point the need for action and provide incentive for the individual to develop his own program.

TRENDS—— IN BUSINESS AND FINANCE

Hoover Task Force Named

UNDER THE CHAIRMANSHIP of Emmett J. Leahy, president of Leahy and Company, management consultants, New York, a task force on paper work management in the executive departments of the Government has been put to work by Herbert Hoover, former President, as chairman of the Commission on Organization.

The program for disposal of records has effected great savings, according to Administrator Edmund Mansure of the General Services Administration. This program resulted from studies by the First Commission of 1947-49, when Mr. Leahy also was chairman. Of 5.5 billion papers transferred to low-cost record centers up to March 31st, more than 600 million were found valueless and were destroyed.

More Choosey on Personnel

COMPANY representatives are more selective now in hiring personnel, for the total demand for services is down, though the job market for college graduates is still very good, in the judgment of Samuel H. Beach, director of placement at Columbia University in New York.

"It will mean a much happier and healthier atmosphere on the campus if the lush job market available to many college graduates in recent years levels off," Mr. Beach observed.

Foreign Picture Better

In Europe, Dr. Per Jacobsson, economic advisor of the Bank for International Settlements, at Basle, Switzerland, drew from the data on European recovery last year, as contributed by banks in 25 countries, a definitely good picture for the months ahead.

Public-Relations-Conscious

PARALLELING increased realization in wholesale credit management that good public relations are a key to sound and profitable business operation, speakers at the 40th annual international consumers' credit conference held in San Francisco as was the 58th annual Credit Congress, emphasized that "the customer, not the management, is the boss" and that competition demands business "treat the customer as you would treat a friend—be cordial, be diplomatic, and, above all, don't get mean!"

In New York, Mrs. Denny Griswold, publisher of "Public Relations News," said more than 100,000 persons now are in public relations work in the United States.

Emergency Talent Pool

A NATIONWIDE CANVASS to build an executive talent pool, and the setting up of a school to train 200 at a time in Government operations and problems of wartime, are parts of proposed implementation for immediate recruiting of a civilian reserve of 5,000 business leader volunteers, suggested by the National Planning Association as a civilian reserve ready to step in and handle each area of emergency control activities.

Calling the current program inadequate, the Commission proposes lining up 5 to 10 selectees for each post, with the entire program as a responsibility of the Office of Defense Mobilization.

The "Good Life"?

DEPLORING the "Age of Gimme," an editorial writer in the Meaford (Ont.) Express, which was reprinted by the Fruen Milling Company in Minneapolis, says in part:

"Bit by bit, we are watching the deterioration of peoples whose traditions have been independence and self-respect. But sadder is the fact that we are all participants in the change. We must say 'yes' to every insistent demand, offering in return for political advantage generous slices of that mythical pie in the sky. Anyone who stands up to protest that there is an end to all benevolence, an end that paralyzes the abilities and integrities of a people, is derided as a reactionary.

"We talk of the 'good life.' But what we mean is the ample life—more free benefits, more free time, more free protection. And for what? . . . Just material things . . . That was not the way this or any country was born. That is not the way any free country survives."

For Specie Resumption

MOST RETURNS to gold redeemable currencies (sometimes silver) have proved successful whereas "the verdict of history is against managed irredeemable currencies," says Donald L. Kemmerer, professor of American economic and financial history, University of Illinois.

In point of time required for transition—and never before has the United States "had an inflation go on so long after a war"—Dr. Kemmerer says "only the gold coin standard could be restored rather quickly." He points out that the public has "lost controls over governmental spending," that citizens have less control when the federal Government spends its money rather than the state and local governments, that "interest rates do not move as freely as they once did" and that the controls we do have under a managed currency—"price controls, wage controls, rent controls, interest rate controls when inflationary pressures are greatest" —are "more annoying than effective."

A Need—and a Question

Credit Management is on the lookout for young men "of proper calibre and training". Why is there not a rush of young folk into the field? Statement and query are by William J. Habkirk, general credit manager of the British American Oil Co., Ltd., Winnipeg, writing in "Credit," monthly publication of The Canadian Credit Men's Trust Association, Ltd., Toronto.

Mr. Habkirk, who has been a director of the American Petroleum Credit Association, sees these possible reasons for a shortage of personnel: (1) The old idea of credit men as "sour-pussed fuddy duddies"; (2) Faulty public relations and consequent layman ignorance of credit management's duties and opportunities; and (3) Lack of training.

A detailed study of management qualifications and responsibilities in a buyer's market was published in the July and August issues of **Credit and Financial Management.**

Net Passes a Billion

THE 13,432 insured commercial banks had net profits exceeding a billion dollars last year, for the first time. Total income was $5,636 millions, 11 per cent higher than for 1952. Income taxes totaled $786 millions. Chairman H. E. Cook of the Federal Deposit Insurance Corporation passes along the statistics.

Ernest A. Rovelstad

Westward Ho by Factoring

Silbert Traces the Role of Accounts Receivable Financing

THEODORE H. SILBERT, president of Standard Factors Corporation, is also chairman of the board of the Association of Commercial Discount Companies, Inc., and a director of the National Commercial Finance Conference. He is active in the New York Credit & Financial Management Association.

Before 1934 Mr. Silbert was associated with the Broadway National Bank & Trust Company, and the factoring division of The Campe Corporation in New York. He has lectured at universities and has written for business and banking publications.

T. H. SILBERT

HORACE GREELEY'S westbound young man was not especially aware of the possibility that, if his new business prospered, those growing accounts receivable might tie up his slender working capital.

With the pleasing rush of orders came a stern call for an enlarged operating staff, a sales and advertising campaign, and more stock.

How to meet the swelling payroll, to pay for the raw materials for increased production? It was the familiar story of the pressure which prosperity superimposes upon a new company as well as upon the managements of many small and medium businesses already established, when sales build rapidly.

Financing Companies Follow the Call

Hence the corresponding development of business financing companies in the western states, which incidentally, according to Federal Reserve Bank reports, continue to lead the nation in number of young companies, in increased production and employment, even under today's heightened competition.

The parallel could also be traced in any other geographical area of "growing pains," where the larger requirements tax the capitalization, which would have been sufficient for normal operation.

"This need among west coast companies for additional working capital has encouraged the growth of accounts receivable financing and factoring, traditional eastern forms of financing," says Theodore H. Silbert, president of Standard Factors Corporation, New York. "In the east, such financing has been associated for many generations with textiles, shoes and furniture. In the west, commercial finance companies have branched out to serve a wide variety of enterprises, from chemicals to cartons, model railroads to millwork, from dolls to diesel motors.

"One of the chief methods by which such finance companies provide working capital to new or expanding businesses is through the advancement of funds against accounts receivable or customer accounts. As quickly as a manufacturer or wholesaler makes its shipments to its customers, the commercial finance company advances immediate cash to that manufacturer or wholesaler, so that he does not have to wait 30, 60 or 90 days to collect. This enables a tight working capital to go a long way."

It was in 1946 that Standard Factors Corporation opened a western branch under the direction of Thomas O. Williams, vice president, and Dan Ross, credit manager. The company's current financing volume handled through its Los Angeles office is given as $40 millions.

A Story of Aids to Business

Case histories bring out varied kinds of situations solved by accounts receivable financing.

There was the Los Angeles manufacturer of swimwear who started with $50,000 capitalization. Despite good sales volume the first year showed a slight loss. Another year and the volume approached $1 million, but net worth was still $50,000. Then the factoring company agreed to finance the accounts receivable and advanced a substantial sum against inventory. Production was expanded; all orders were filled. Today the net worth is 15 times higher, combined sales exceed $10 millions, and the company has a sizable unsecured line of bank credit.

A radio and television manufacturer organized in Culver City in 1949 with $55,000 capital. In three years it had trebled its net worth and was doing $4 millions volume. Yet there was a net loss. In one year after accounts receivable financing had been set up, the manufacturer's volume was at $5 millions and a profit was on the books. The working capital had permitted improvement of the product, with new designs, and expanded distribution.

Legal Limitation on Banks

Long-term or "revolving fund" financing provided by factors tells a similar story. Mr. Silbert notes that banks are legally prohibited from lending more than 10 per cent of capital funds to a borrower. Therefore, with two-thirds of the nation's banks capitalized at less than $150,000, unsecured loans exceeding $15,000 cannot be made by many banks. Thus sufficient bank credit sometimes is not available.

A department store in Pasadena sold out in 1951 because, though the city's population had jumped from 9,000 to 125,000, the incoming competition was capturing the market. The new management loaded its siege guns, opened fire with a widely advertised promotion, remodeled, introduced new departments, boosted sales 46 per cent in a year-plus, increased charge account and instalment buying 84 per cent.

Instalment Purchase As Collateral

The factor advanced $100,000 against the charge and instalment accounts, the store continuing to handle all the billing and collections. This arrangement continues, with the store pushing the charge-and-instalment buying, as these accounts could be used as collateral for more working capital from Standard. The store management holds the proportion of delinquent accounts exceptionally low.

How a business financing company applies its experience and knowledge to forecast the success of new products or new techniques is illustrated in the case of advances of funds to a Los Angeles jewelry and appliance store which, on a policy of credit without interest or carrying charge, has built a half-million dollar volume by using sound promotion methods. With little profit from a first sale, the business is predicated upon "impulse buying" and "add-on" accounts which per-

mit established customers to "add-on" new items to their accounts and not start paying them until current purchases have been cleared. How the plan works is attested by the fact that appliance customers of the store also buy an average of $126 of jewelry in a year.

One more example, showing the use of commercial financing to start a business. Standard advanced a small production loan to a former army pilot and navy airman, who had pooled $20,000 to launch a plastics novelty company. In less than four years the company was handling more than a million dollar annual volume.

Mr. Silbert, in a table of nine industries served on the west coast, demonstrates how providing working capital contributes to sound business growth. Three examples: In the auto supplies field, from net worth of $286,000 in 1948 to $942,000 now; lumber, $73,800 in 1949 to $385,000, and plastics, $162,000 in 1947 to $822,000 today.

Bank Loan Officers Elect

Chosen president of the Southeastern chapter of the National Association of Bank Loan Officers and Credit Men is William W. Mitchell, vice president, First National Bank of Memphis. Mr. Mitchell has been a member of Robert Morris Associates since 1944.

U. S. Agencies Credited with Spreading Home Ownership

The insurance and guaranteeing of mortgages by governmental agencies "has played an important role in the spread of home ownership and contributed materially to our high level of business activity," Dr. Marcus Nadler, professor of finance, New York University, told representatives at the annual Savings & Mortgage conference of the American Bankers Association, in New York. Denying that Government insurance develops excessive mortgage credit, he declared that "if the supply of mortgages had not been as large as it actually was since the end of the war, stimulated by the activities of the F.H.A. and V.A. (Federal Housing Authority and the Veterans Administration) the supply of funds seeking investment would have been greater than the demand, and money rates in all probability would have been lower than they are today."

Quoting from the President's housing message, with its recommendation for "aggressive leadership by the Federal Government in a program to meet housing needs," Dr. Nadler cautioned: "It is of the utmost importance that the activities of the agencies engaged in insuring and in guaranteeing home mortgages be coordinated with the credit policies of the Reserve authorities and the debt management policy of the Treasury. It is important that the government be given the power to raise or lower the rate of interest on mortgages as well as to extend or shorten the term of payment. Similarly the debt management policy of the Treasury must be coordinated with the housing policy of the government. It is the responsibility of private enterprise to make insured and guaranteed mortgages marketable and liquid."

In a symposium on mortgage lending, V. R. Steffensen, senior vice president, First Security Bank of Utah, Salt Lake City, member of the A.B.A. committee on real estate mortgages, declared, "Generally speaking, the credit standing of would-be home purchasers today is not as satisfactory as it has been in the past. The situation is not true, however, in many of the smaller towns and hamlets of the country." In his opinion "the investment officers of institutions in the secondary market are overlooking quality paper in some of our smaller towns and cities." The role of Government in housing and mortgage finance, the outlook for savings and mortgage credit, investments, and electronics in banking were among other subjects discussed at the conference.

Johns-Manville's Expansion Plan Has Long-Range Goal

An $18,500,000 expansion and improvement program for Johns-Manville Corporation is underway, with an upward trend of business maintained since the drop in sales and earnings in the first quarter. Said Chairman L. M. Cassidy: "Steps were taken beginning five years ago to meet this period of competition that business has not experienced since before World War II. Planning has set these goals: an expanded and aggressive selling program; priority on the development of new products and product improvements that will insure full use of all manufacturing equipment; intensified steps to reduce the cost of producing goods; and reduction of all other costs of doing business."

Stockholders have approved a stock option plan to provide additional incentive for key employees to produce improvement in operating results.

Nine Index Forecasters Ring Bell on Production, Three on Wholesale Price

NOW that the mid-year Industrial Production Index and Wholesale Price Index figures have been officially released, computations are complete for announcement of the winners in C & FM's "contest" of last January to see who could prognosticate accurately the mid-year business situation in terms of these indicators, as compared with June a year ago.

Results show the forecasters more "expert" in the area of Industrial Production, nine of them banging the gong on that one while three called

the turn on the Wholesale Price Index. A total of 107 executives participated.

The following accurately predicted the INDUSTRIAL PRODUCTION ADJUSTED COMBINED INDEX:

IRA ROTHFARB, Controller, Typhoon Air Conditioning Co., Brooklyn, New York.

R. W. ROHRBACH, Secty.-Treas. Mgr., Pacific Wholesale Electric Co., San Diego, California.

EDGAR E. RAND, President, International Shoe Co., St. Louis, Missouri.

K. L. FRUEN, Credit Manager, General Mills, Inc., Mechanical Div., Minneapolis, Minnesota.

W. DON ECK, General Credit Manager, Paxton & Gallagher Co., Omaha, Nebraska.

PAUL C. BAICHLY, Credit Manager, Ralston Purina Co., St. Louis, Missouri.

RYLAND G. BRISTOW, Treasurer, Lyon Conklin & Co., Inc., Baltimore, Maryland.

JOHN FROELICH, Chairman of the Board, The A. P. Parts Corp., Toledo, Ohio.

HAROLD H. GLOE, Treasurer, Morrison-Merrill & Co., Salt Lake City, Utah.

These accurately forecast to the "tenth" point the WHOLESALE PRICE INDEX FOR ALL COMMODITIES:

W. CLARK DEAN, President, Union Steel Products Co., Albion, Michigan.

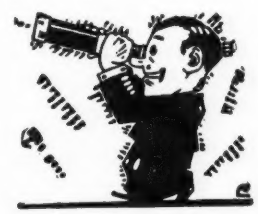
M. M. SCHADE, Treasurer, Continental Rubber Works, Erie, Pennsylvania.

A. H. AHLERS, Assistant Secretary and Assistant Treasurer, Owens Illinois Glass Co., Toledo, Ohio.

A. H. (Al) Ahlers, one of the three "winners" in the Wholesale Price Index group, had moved to the "head of the class" this year when he was signaled for honor as Toledo's "Credit Man of the Year." (Story elsewhere in this issue.)

The June 1954 estimated INDUSTRIAL PRODUCTION INDEX figure reported by the Federal Reserve Board is 124, based on the new 1947-49 average as 100. This compares with an index of 136 for June a year ago, a decrease of 8.8 per cent. (*See explanation below concerning the change in the Federal Reserve Board base figure used as average in this Index.)

If you will turn to the January, 1954 issue of C & FM, pages 10, 11 and 12, you'll see the complete tabu-



lation of the mid-year Index predictions as turned in by the participants. Reference to it shows that Industrial Production Index forecasts ranged from a low of 190 to a high of 256, which translated into new-base terms are equivalent to a range of from 107 to 144, respectively. Significant is this note: On the current "IP" Index study, a majority of the participants, 102 to be exact, had looked for a decline from the June 1953 figure. Only five forecast an increase. More than half, 57 per cent, were "warm" when they estimated the decrease would be within the range of 6 to 15 points, and a little over one-third of the total participating were "very warm" when they narrowed the range of decrease to within 9 to 15 points as compared with the year before. The actual decline was 12 points.

Last year's forecasts of the two Indexes produced only one executive who estimated accurately in either category. Seventy-one participated in that project. E. J. Spiegel, president of the Gaylord Container Corporation, St. Louis, predicted that the Industrial Production Index on July 1, 1953, would be within the range of 235 to 245. The Federal Reserve Bank reported 241. Only six executives forecast 230 or higher. The average of the forecasts was 209.7.

Comparison of the "IP" Index with previous periods below includes the Index figured on the old (1935-39) base merely to illustrate the changeover:

INDUSTRIAL PRODUCTION ADJUSTED COMBINED INDEX:
(Figures reported by Federal Reserve Bank)

	Average of 1947-49 Equals 100	(Former) 1935-39 Base Equals 100
June 1951	121	221
January 1952	121	221
June 1952	118	203
January 1953	134	236
June 1953	136	241
January 1954	126	...
June 1954	124†	...

†Preliminary.

*As we reported in our April 1954 issue, the Federal Reserve Board early this year announced it had shifted its base period for the Industrial Production Adjusted Combined Index. The base of 100 formerly had been the average of 1935-39. The new base is 1947-49. This necessitated adjustment of contributors' forecasts for the "IP" Index in terms of the new base period.

According to the Federal Reserve Bank, the 1947-49 industrial production as measured by the old base was approximately 185 per cent of the 1935-39 level. The change to a postwar base, making 1947-49 equal 100, therefore has the effect of almost halving the current Index numbers

for total industrial production. The level of the new Index recently has been in the 130's instead of the 230's of the old Index. This change, however, has no effect in itself on the percentage relationships between any two months or years in the Index. An increase from 125 to 130 in the new Index would be the equivalent of an increase from 231 to 240 in the old, or a ratio of 5 to 9.

Four within 0.3 Point

The June 1954 Wholesale Price Index for All Commodities reported by the Bureau of Labor, U.S. Department of Commerce, is 110.0. This compares with 109.5 a year ago, an increase of 0.46 per cent. Only twelve of the 107 participants anticipated an increase in this Index. The largest group, 48 individuals, forecast a decline of from 2.0 to 4.5 points as compared with the year before. Four runners-up who predicted the Index within 0.3 point are: C. F. Ensign, Asst. Treas., Cleveland Twist Drill Co., Cleveland, Ohio; D. A. Gordon, Manager, Gleason & Co., Emeryville, Calif.; L. R. Folda, President-General Manager, W. J. Bailey Co., San Diego, Calif.; and H. C. Luick, Asst. Cashier, Northwestern National Bank, Minneapolis, Minn.

WHOLESALE PRICE INDEX FOR ALL COMMODITIES

(Reported by the Bureau of Labor, U. S. Department of Commerce) Average of 1947-49 equals 100

	January	June
1951	....	115.1
1952	113.0	111.3
1953	109.9	109.5
1954	110.9	110.0

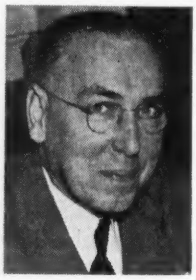
In 1953's forecast project, Harold H. Berg, secretary and credit manager of the Dakota Electric Supply Company, Fargo, N.D., was the only one who thought the Wholesale Price Index would go to 109.5 at midyear, and so it did. Twenty-five executives predicted a figure between 109 and 110, and 17 of these were 110.0. The average of the forecasts was 109.9.

What of 1955?

There's more to this forecasting than "divine revelation," as the experts well know. For 1955 we're not only anticipating more winners in each category, but at least one winner to predict both categories accurately. Then again—what if in this changing economy no one makes a ten-strike!

Check-Crooks Garnering $600 Millions As Executives Look the Other Way

THE fastest growing crime in the United States, according to the authorities, is check fraud. Last year's "take" by check crooks amounted to between $400 and $500 millions, an all-time high, and this year the loot is expected to reach $600 millions. Businessmen themselves may inadvertently be the greatest little helpers in the development of this "industry." The tendency to charge off bad checks as "overhead" or "good will," rather than prosecute, is giving the greatest encouragement to the crooks, says George W. Adlam, veteran investigator for The Todd Company, Rochester, N.Y., check manufacturers.



G. W. ADLAM

A national survey of check crime, in which police chiefs of 98 key cities of over 40,000 population participated, conducted by the company under Mr. Adlam's direction, revealed an average rise of 5 per cent last year in dollar losses in the 98 test cities. Police gave as a major fault the failure of at least two-thirds of the merchants to exercise proper care in cashing checks. Only a third of the victims will cooperate fully with the police to permit effective investigation and prosecution, the authorities complained.

Biggest victims of check frauds were the department stores. Next were supermarkets, then liquor stores, taverns and independent groceries. Gas stations, banks and restaurants exchanged lesser but sizable amounts of bonafide currency for the worthless paper.

Amateurs are getting into the act. More than half of the check cheats booked in 1953 had no previous police record, whereas formerly bad-check artists were professionals with long records. Twenty per cent of the passers were women.

The three favorite methods of the swindlers are reported to be: (1) Passing completely bogus checks, with phony signature or indorsement or both, drawn on a non-existent or collapsed bank account, and sometimes on a non-existent bank; (2) forging the signature of the maker or indorser on a legitimate check; and (3) counterfeiting a legitimate check.

Increasing is the circulation of payroll checks, privately printed by the swindler with the name of a respected company, made out for a reasonable payroll sum, and cashed at a local store. Thefts of company checks by employees, thefts of company checks by non-employees, and raising the amount on legitimate checks account for a significant number of cases.

Unless business carelessness is eliminated, the bad-check crime wave will get worse, the authorities say.

University of Illinois Adds Postgraduate Credit Program

The University of Illinois credit bureau and collection service management institute this summer introduced a short fifth-year postgraduate program consisting of discussion sessions led by management specialists. Prof. Harvey W. Huegy of the university's marketing department and Edward J. Strasma, Kankakee credit executive, were guest speakers.

TO AVOID BAD-CHECK LOSSES

Police authorities reporting in the Todd survey advise that these rules be followed:

1) Know your endorser.
2) Don't cash out-of-town checks.
3) Be especially careful when clerks are very busy.
4) Demand better identification than a social security card or driver's license.
5) Guard blank checks, cancelled checks, and check protection equipment carefully.
6) Don't cash checks for juveniles.
7) Don't cash post-dated checks.
8) Don't cash checks written in pencil or checks that show signs of alteration.
9) Don't be impressed by big company names on checks.

I Need Empathy . . . A Theme Song For Failures in Public Relations Job

EMPATHY—Imaginative projection of one's own consciousness into another being. — Webster

LITTLE THINGS make up good public relations but the basic prerequisite is empathy, the ability to imagine how other and different folk will react to a situation, not only intellectually but emotionally. That calls for a feeling and understanding of the other man's prejudices and special interests. Such understanding is acquired by taking sincere interest in the individuals with whom one is dealing.

R. W. JACKSON

"All you have to do in order to do a good public relations job in your credit department is to look within yourself and use the knowledge of public relations you already have," says Robert W. Jackson, manager of the west coast public relations service division of the General Electric Company, San Francisco.

"Applied to your contacts with the public, such approaches in human relations can become a major asset for your company. It may even pay some unexpected immediate cash dividends, like one operation I know. That company made a change in policy in its credit department for public relations reasons—and it resulted in a direct saving of $300,000 a year."

Conversely, faulty public relations in any part of an industry reflect unfavorably upon others in the industry, Mr. Jackson points out. For example: "If a family is disgusted with Utility A, because of some bad experience it had in town A, that family will carry its prejudice against utilities to town B and will feel unfriendly to Utility B, even if the second company practices the best public relations possible. Public opinion can be reversed overnight. Public goodwill must be preserved through constant vigilance.

"I can think of no department in your company where concern with good public relations is more important than in the credit operation. Of all the executives in your company, you credit men probably face the greatest danger of breeding public illwill toward your company.

"Rates, despite the mathematical formulas used by commissions, rest ultimately on the temper of the public. Financing and sale of securities are concerned with goodwill factors. And it doesn't matter if your company is a publicly owned or privately owned utility. If you antagonize the public, you strengthen the opposition."

Public relations are everyone's business, and the character and reputation of a company are the responsibility of every person on the payroll. In General Electric, Mr. Jackson notes, there are approximately 200,000 employees, 250,000 stockholders, 200,000 products sold and serviced, and there are millions of customers "who talk to their neighbors about us."

Must Be Explained to Public

Sound values of product, good service and fair dealing do not in themselves win public goodwill; they must be explained and sold, "or public mistrust and misunderstanding are sure to result." Good character comes first, but even this does not necessarily lead to good reputation. Hence the importance of public relations, practiced by the entire personnel, not by the public relations department alone. "You can't make little packages of public relations in a public relations office and then ship them out with neat labels for use all over the market area," important as is the public relations department, with its facilities to handle many important special activities, such as press relations, speakers' bureaus, school events, employee publications, community relations, television and radio programs and commercials.

Work With Public Relations Unit

"If you are not yet acquainted with the personnel and operations of your public relations department, I suggest you pay a visit," Mr. Jackson advised executives at a luncheon of the Public Utilities Credit Group in San Francisco. "You will find they have a service to offer you, and you may find there are many ways you can assist them.

FROM 10 YEARS as a newspaper reporter, columnist and editor, coupled with three years writing for the Marines, Robert W. Jackson in 1945 turned to the General Electric Public Relations Division, Schenectady, N.Y.

In 1948 Mr. Jackson was transferred to San Francisco as manager of the western region of the company's public relations services division.

"There is, or should be, teamwork between the credit and public relations departments of any company. While getting a good perspective on the complex activities of your firm's public relations department, don't feel that this is a profession involving a lot of techniques you have no time to master. It is true that for many public relations jobs you will have to call in the professional, but for a large part of your public relations responsibilities you already are equipped—if you have an understanding heart.

"For your needs, forget such terms as mob psychology, mass appeal, or social sciences. Remember that essentially your job involves talking and dealing with one person at a time. If you write a warning notice and have 100,000 copies printed, remember that when it is in use just one person will be reading a single copy. In any communication with the public, people are listening just one at a time. You can use mass means to reach a large audience, but each man in the audience is listening to you through his own pair of ears, and understanding what you have to say with his own mind."

Achievement of simplicity is the secret of public relations, the publicist emphasizes. "The messages which move people are simple and basic in appeal. They are like bread, salt and water, and they are as obvious to the audience as the sun. Effective public relations does

not involve intrigue or a roundabout psychological appeal. Your public is too busy with its own affairs to be bothered with listening to anything too involved. Get complicated and you'll have nobody listening.

"Just relax. Forget the fancy talk and imagine yourself in the other fellow's place. Use empathy. How do you think he wants you to talk to him? Approach the problem naturally, because there is a lot of illogical reaction involved.

"Thank You" a Great Lubricant

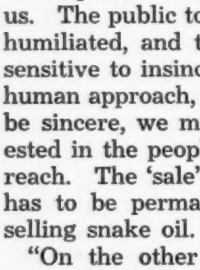
"There is a lot of science in human relations" but "there is no certainty about public reaction, even when social scientists with a half-dozen degrees do the planning"—and "the social scientists have done a great deal of good."

Noting that "saying 'thank you' is one of the greatest lubricants of human relations," Mr. Jackson says: "People, even the grimmest looking fellows, like being treated with a human touch. A stuffed shirt usually is there just to hide a quivering backbone . . . a fortress of formality to keep out those who would hurt us. The public too is afraid of being humiliated, and the public is fairly sensitive to insincerity. In taking a human approach, therefore, we must be sincere, we must be truly interested in the people we are trying to reach. The 'sale' in public relations has to be permanent. We are not selling snake oil.

"On the other hand, the human approach does not mean you have to be a 'good-natured Pete' slapping everybody on the back. Be careful of familiarity. Just take a sincere interest in the other fellow and pause to look at the world from his point of view. Humanize your company, and your customers will respond."

Ad Agency Group Names F. J. Becker to Presidency

Fredric J. Becker, treasurer and a director of Charles W. Hoyt Company, Inc., New York, advertising agency, has been named president of the Advertising Agency Financial Management Group. The group, comprised of financial executives of advertising agencies in New York City, is affiliated with the New York Credit & Financial Management Association.



F. J. BECKER

Proposed Girders to Lift Foreign Policy Include Selective Revisions of Tariffs

Ten conclusions and recommendations to strengthen our country's international trade policy are the results of a year's study by the Council for Technological Advancement. Placed before the Randall, Ingersoll and Capehart committees in Washington, they read:

(1) *Tariffs.* Selective treatment in effecting tariff revisions is essential. Where industries are beyond the point of active competition with foreign companies selling in the domestic market, tariff increases rather than reductions may be necessary for reasons of defense or technological superiority. Tariffs which shelter domestic markets for American producers of non-defense products should be examined with a view toward reduction and elimination.

The principle of reciprocal tariff reductions embodying the "most-favored-nation" clause is no longer adequate and the United States should adopt a unilateral approach to tariff reductions.

The inclusion of "escape clauses" in this country's trade agreements is economically unsound.

(2) *Import Quotas* produce essentially the same economic effects as do tariffs and should be treated in the same manner as tariffs.

(3) *"Buy American"* practices are economically unsound and should apply only insofar as necessary to the existence of facilities essential to the national defense.

(4) *Customs regulations* should be further streamlined to avoid their constituting any impediment to trade.

(5) *Foreign investment.* To encourage U.S. private foreign investment: (a) reduce foreign risks by treaties clearly defining rights of American investors; (b) make certain basic changes in the taxation of foreign earnings by the United States Goverment, on the grounds of equality and equity, and not for reason of incentive or subsidy; (c) educate less-developed countries as to the incentive value of duty-free entry of equipment needed for new investment during the early years of operation.

(6) *Export-Import Bank.* Four recommendations concerning its function and operations provide for (a) its continuation as an independent agency, (b) its return to the functions for which it was organized, (c) greater accessibility to its credit and insurance facilities, and (d) augmentation of its resources through special financing.

(7) *Point Four Program.* This should be continued, with emphasis upon improvements in per capita productivity.

(8) *Currency Convertibility.* Policies should be pursued, both here and abroad, which will facilitate an early relaxation of existing controls.

(9) *Foreign Aid* is not a sound alternative to trade. The alternative to foreign aid is either reduction of exports or increased volume of imports and of new foreign investments by the United States.

(10) *Relation of Domestic Fiscal Policy to Foreign Trade.* It is important in any United States foreign economic policy that this country pursue sound domestic policies which safeguard domestic prosperity.

New York State Bankers Oppose Any Uniform Code

When the New York State Bankers Association stated flatly that it was against the proposed Uniform Commercial Code for New York (the code went into operation in July in Pennsylvania, the only state which thus far has adopted it), the association told the New York State Law Revision Commission that "a uniform commercial code is nowhere in sight" and commented that it "must take a strong stand against any code which might necessitate a long period of judicial definition."

Under special fire were sections for elimination of the negotiable instruments law, pertaining to commercial paper, bank deposits and collections, and secured transactions.

Refinement by amendment of existing statutes, rather than by total substitution, was recommended, "using the improvements to be found in the code." The association noted lack of general enthusiasm and cautioned that if New York should adopt a new code "this state could not expect that its sister states would necessarily take similar action."

Legal Rulings and Opinions

ACCEPTANCE—WHAT IS IT . . . AND WHEN?

By CARL B. EVERBERG
Attorney, Woburn, Mass.

AN order sent by a prospective customer to a prospective seller is an offer—an offer to buy (an opposite to an offer to sell). It is fundamental in the law of contracts that there must be an agreement—offer and acceptance—to bind both the offeror and offeree. If the offer prescribes the mode (e.g. "Advise by return mail"), such mode must be used in accepting the offer. Of course, as it so often happens, the offeree may reply in some manner not according to the mode set forth in the offer. Then, if the original offeror, who is now the new offeree, consents to the new offer, he thus waives his own conditions. And he thus may become bound by the offer made by the one to whom he made his original offer.

> ***No one can hang the sign outside his door: "Nothing wrong here."***
> **—Chinese Proverb**

The acceptance of any offer must be affirmatively and clearly made and must be evidenced by some act or conduct communicated to the offeror. If a seller states in a letter, "We really consider that we are tied up with you for the coming year and will see that one of the contracts is signed and returned to you," this is held not to be an acceptance of an order. *Wisconsin Metal Products Co. v. Rusk Mfg. Co.*, 177 Wis. 155, 189 N.W. 138. If a seller says: "Your order received and request that the matter be left in abeyance until later when we will be in a better position to advise you what we will be able to do for you in reference to this order," this is not an acceptance. *Fenn v. American Rattan, etc.* 75 Ind. App. 146, 130 N.E. 129.

Acceptance may be made in either a formal or informal manner. Such a simple expression as "All right" has been found to amount to an acceptance of an offer. *McDonald v. Needham*, 254 Mass. 438, 150 N.E. 224. "O. K.," written by a seller's executive officer, on the face of a buyer's offer, was held to be an acceptance. *International Filter Co. v. Conroe*, 269 N.W. 210 (Texas Civ. A.).

Acceptance cannot be legally established by a mere mental determination or an intention to accept in the future, particularly when not communicated. This is true though the seller gathers together the materials which the buyer has ordered with the intention of shipping them.

And where a seller makes a mere acknowledgment of the receipt of an order for goods, even if it also contains a promise that it will receive his attention, the courts have generally considered such acknowledgment in the same category—namely, that such statement is an expression of an intention of accepting in the future if conditions permit. *Calcasieu Paper Co. v. Memphis Paper Co.*, 32 Tenn. App. 293, 222 S.W. 2nd 617.

Ruled Promise to Consider Order

A communication from a seller, replying to an order in such words as "Your order is at hand and will receive our prompt and careful attention. Thanking you for the same and hoping to merit your future favors, we are. . . ." is held not to be such an acceptance as will create a binding contract.

Such communications as in the previous paragraphs are held to be no more than promises to consider orders. See 77 C. J. S. 641 and cases cited therein.

All this suggests that businessmen must be careful to see that there is no loophole or lackadaisical insufficiency in the communications which go to make up their transactions. Yet, the very caution and care which is suggested here may lead to an anomaly known as "the battle of the forms."

Conditions on buyers' orders require many commitments on the part of the seller (e.g. "the acceptance of this order . . . you must promptly acknowledge, F. O. B. Buyer's City," etc., or "shipment by express."). When these conditions are at variance with conditions printed on their own forms of acceptance, there is a "battle." Sellers frequently disregard the conditions in the buyers' orders, either by sending their own forms or otherwise. Many questions arise. If the seller raises no objections to the buyer's conditions is he bound? Or, suppose the seller, in purporting to accept, uses a form containing conditions, inconsistent with the buyer's conditions, and the buyer does not object—is the buyer bound? In the overwhelming majority of cases nothing happens unless radical disturbances in the market discourage either buyer or seller and they look to their forms to see who may be bound to what, or whose conditions prevail.

The proposed Uniform Commercial Code has made an attempt to modify the strictness of existing contract law under the circumstances referred to, yet, because the Code has been adopted in only one state (Pennsylvania), one cannot predict whether the Code will lessen the frictions that sometimes arise by virtue of the "battle of forms." And judicial interpretations of the Code may not come for years after the adoption of it.

After all, contracts are no more workable than the integrity of the parties permits. Usually the parties are able to work out kinks that come up in transactions without resort to litigation. Nevertheless it is much better to keep all things legally straight in the beginning, if possible, than to wait until some unanticipated impasse arises later.

TAX DECISIONS

Tax Court Reversed

In a majority decision the United States court of appeals for the third circuit reversed the tax court in the case of Joseph P. Schmitt et al. v. Commissioner of Internal Revenue. The ruling affirms that where a dividend of common stock is declared on common and there is no other class of stock outstanding and the distribution does not change the proportionate interests of the stockholders, the dividend is exempt from income tax. The rule applies also to a distribution made out of the corporation's treasury stock.

The tax court had rendered two opinions in the case in 1953. The first held that a stock distribution of specific corporate assets or property was taxable to the extent of the fair market value. The decision carried the implication that the distribution was taxable because it had been made in treasury stock (common stock repurchased by the corporation from

one of its stockholders). The second decision held that while it was not a bona fide stock dividend, the transaction was taxable as a dividend at the fair market value of the shares received by the taxpayer, thereby removing the implication in its first decision that the distribution of treasury stock was a distribution of corporate assets or property. The court of appeals ruled that the distribution was a stock dividend and the taxpayers did not become any richer with possession of another piece of paper evidencing more shares but not any greater proportional interest in the company's assets than they had earlier.

Closed Transaction—Date of Completed Sale

For tax purposes the intent to sell the property in a specified year is sufficient; it is not necessary that title pass. (Cunningham, TC Memo, 11/24/53). Mrs. Cunningham signed a contract in 1947 to sell her business and the realty used in it for $75,000. There was down payment of $5,000 and monthly payments thereafter. A note for the $70,000 balance was to be given and the realty deeded when the balance was reduced to $50,000. No note or deed was given although the balance was reduced below $50,000.

To the commissioner's claim that she realized all the gain in 1947, Mrs. Cunningham argued that the contract was only an option and not a completed sale under Texas law, since no deed had transferred title. The tax court upheld the commissioner.

When Does a Partnership Exist?

In two cases where the commissioner ruled no partnership existed, a district court disagreed in one, in the other a circuit court agreed.

Mr. Blackburn and his adult children signed a partnership agreement to purchase and sell government bonds. Purchase money was obtained by a bank loan to Mr. Blackburn, secured by the individual's notes. The bank was not aware of the partnership and it was not known how the children contributed capital, if any. It appeared one child was active in the partnership. The district court held that a genuine partnership existed. (Blackburn USDC, W.D. Tex., 11/16/53).

In the other case, the circuit court reversed the district court decision upholding a partnership. Mr. Baron and his brothers opened a clothing store. Of the $6,000 starting capital, his wife contributed $700. Mr. Baron bought out his brothers' interest. His wife was placed on a salaried basis. Until incorporation in 1946, Mr. Baron reported the income as his own; bank credit was extended on his signature; insurance and business records all indicated sole ownership. The circuit court held erroneous the district court's finding that a partnership existed, and ruled that no partnership was intended by Mr. Baron and his wife. *(Baron, USDC, W.D., S.D., 10/6/52)* and *(CA- (8), 11/17/53).*

Building Removal or Razing

In 1940 a bank purchased a piece of business property, intending to raze the building and erect its own building. Unable to go ahead because of war restrictions, the bank rented the property to various businesses. In 1946 the building was destroyed by fire and $10,000 insurance received. The entire $10,000 insurance was recognized as gain. The tax court held that as the bank intended to raze the building when it acquired the property, the building's basis was zero. Where a business building is purchased with no intent to raze but later is demolished because conditions render it unsuitable for the purpose acquired, a deductible loss results. *(Lynchburg Bank, 20 TC (No. 94)).*

Estate Tax—Employee Pension Plan Survivorship Annuities

Where an employee has the option, under a pension plan, to take a reduced annuity for himself with another designated to receive an annuity after his death, the annuity's value must be added to the estate for estate tax purposes if the election to name a beneficiary was made after Oct. 7, 1949. *(Rev. Rul. 158, IRB 1953-17; £ 811(c) (3) IRC).*

Doing Business in Pennsylvania?

Management—treasury, credit and other areas—is reminded that the new Uniform Commercial Code of Pennsylvania is now in effect.

Bank and legal representatives of companies doing business with concerns in Pennsylvania are advising all interested departments to give close study to the statute, which completely revises the supplanted Uniform Sales Act, makes extensive alterations in the laws governing negotiable instruments, contracts, bulk transfers, conditional sales, secured transactions, mechanic's liens, chattel mortgages, and many other areas.

For copies of the new law, which became effective July 1st, write Secretary of State, State of Pennsylvania, Harrisburg, Pa. Available also are copies of an analysis of the new law, by addressing The Credit Association of Western Pennsylvania, 701 Commonwealth Annex, Pittsburgh 22, Pa.

Appeal to U. S. Supreme Court

Word has been received of further developments in the Pennsylvania case of Consorto Construction Company, Inc., bankrupt, No. 23573, reported in C&FM "Legal Rulings and Opinions," August 1954, under "Delay in Recording Mortgage." E. H. Cushman, of counsel for the trustee in bankruptcy, informs that the decision of the lower court was set aside by the court of appeals of the third circuit and that he and his associate have filed an appeal to the Supreme Court of the United States.

Fair Trade and Interstate

In a case involving General Electric, a New York State corporation, and Packard Bamberger & Co., Inc., a Hackensack, N.J. department store, the New Jersey supreme court ruled that the McGuire Act clearly authorized operation of the New Jersey Fair Trade Law upon interstate commerce. The state act provides that one retailer's agreement with a manufacturer not to sell his product below a stipulated price binds all other New Jersey retailers to observe that minimum. The question before the court was if a nonsigner of a fair trade agreement was protected from its enforcement in New Jersey by a Congressional act regulating interstate commerce.

"Coercive" Picketing Illegal

Picketing of a liquor store by a union for two years was declared an unlawful objective in that it sought to coerce the employer into signing a contract with the union, and the union was barred from further picketing of the dealer's premises for six months. The liquor store's clerks had refused to join the union. *(Sidney J. Wood, New York).*

Modernizing for Office Efficiency

introducing new office equipment and systems to effect economies in labor and cost, as well as to speed production of essential office work

Heavy-Duty Floor Maintainers

A-109. A new type of heavy-duty floor maintainer is announced by CLARKE SANDING MACHINE CO. The line consists of four machines, each having a fully rated continuous duty motor. Each machine has accessories which provide for wet scrubbing, dry scrubbing, waxing, polishing, steel wooling and disc sanding and grinding. These accessories are interchangeable and easy to use. The machines are controlled with either or both hands. Self-retracting wheels flip up automatically as weight is shifted to the brush. A touch of the toe on the axle shaft lowers them again. Perfect balance and weight distribution reduce physical effort to a minimum. The motor drives a planetary gear train which provides maximum and quiet efficiency. For further information the manufacturer is offering descriptive literature which we shall be glad to help you obtain.

Canvasser: ***"If you can spare me five minutes, sir, I can show you how to earn twice the money you are now getting."***
Canvassee: ***"I do that now."***
—Anonymous

Calculator Weighs 12 Pounds

A-110. A new, hand-operated calculating machine, the 10-key Facit NTK, is now being offered by FACIT, INC. Easy to hand-operate and weighing only 12 pounds, the NTK is especially suited to businesses, large or small, where portability is necessary and electric outlets present a problem. In addition to performing precise multiplication, division, addition and subtraction, all on 10 keys in the span of one hand, this machine is quiet in operation and modern in looks. The new NTK is 5⅝" high, 11¾" wide and 7¼" deep. An efficient service and 10 year spare-parts program is maintained in America by Facit for the Swedish-made calculator. It is dustproof, rustproof and durable in all climates. Mobile parts are designed and placed to withstand rough treatment and the surface is resistant to knocks and blows. The NTK comes in a simulated leather plastic traveling case. Write this department for additional information.

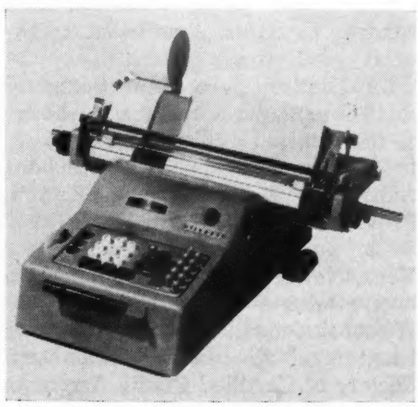
Stencil Sheet "Mat"-Finished

A-111. The A. B. DICK COMPANY has a new series of mimeograph stencil sheets available in both legal and letter size. These stencil sheets, which are dark green in color, have a "mat" finish to reduce glare to a minimum. Visibility, in typing and proofreading, is heightened by the contrast between the dark green stencil sheet and the white cushion sheet. The dark color also makes the stencil sheets well suited for use on an illuminated drawing board when copies of ruled, lettered or illustrated material are needed. Write us for further details.

This Department will welcome opportunities to serve you by contacting manufacturers or wholesalers for further information regarding products described herein. Address MODERNIZING, Credit & Financial Management, 229 Fourth Ave., New York 3.

Carriage Is Fully Automatic

A-112. Called the one printing calculator with fully automatic carriage, here is an original development in the calculating field, first introduced in Europe in 1952. According to the Olivetti Corporation of America, this new machine, through its automatic features, makes a substantial contribution to record-keeping speed, accuracy and efficiency. It also performs as a printing calculator and an adding machine, making it, in effect, three machines in one. The carriage moves automatically; the results of calculations are automatically entered in the proper columns; or the carriage stops at a desired column and awaits an entry, in which case the operator need not remember which type of calculation is to be performed; this has been pre-set. The machine can be set for automatic shuttle carriage operation. The Selecto-Function bar provides automatic control of operations. Thus one bar might be pre-set for accounts receivable, another for accounts payable, another for processing a payroll (including computation of wages, with all details printed on the paycheck or envelope as well as on the payroll sheet). In many cases, one Selecto-Function Bar can be pre-set for two different record forms.



UP THE EXECUTIVE LADDER

The executive vice president since 1946 of Brown & Williamson Tobacco Corporation, Emery M. Lewis has been named president, to succeed T. V. Hartnett, retired. Mr. Lewis began with the Louisville, Ky., company in 1927 as controller, after prior experience in the tobacco industry here and abroad. He was elected a director in 1929, made treasurer the same year, vice president in 1936, and vice president in charge of sales and advertising in 1941.

Dewey Walker, assistant credit manager since 1952 for Mid-Continent Petroleum Corporation, at the general offices in Tulsa, Okla., has been named credit manager to succeed F. S. Schindler, retired. Mr. Walker began with the company as a bulk station agent at Bloomington, Ind., in 1929 and within the same year was named city manager, then district salesman. In Indiana he advanced successively to operating supervisor, to the credit department eastern division at Terre Haute, assistant credit department manager 1936, and division credit manager 1940. He is a director of the Tulsa Wholesale Credit Managers Association and vice president of the Southwest Petroleum Credit Association.

Kenneth B. Skinner, formerly controller of the National Cash Register Company, adding machine division, has been appointed treasurer Hines-Park Foods, Inc., Ithaca, N.Y. He succeeds Everett M. Carhart, resigned.

Among several promotions from within the ranks at Minnesota Mining & Manufacturing Company, St. Paul, Minn., Irwin R. Hansen was named assistant treasurer, and in the international division E. Harland Church was made treasurer and Eugene F. Kindler assistant treasurer.

Mr. Hansen joined the company in 1943 as general auditor in charge of the internal auditing department. In 1950 he was appointed assistant controller of the 3M organization. Previously he was with Haskins & Sells, public accountants, in New York, Newark and Minneapolis. He is a graduate of the University of Wisconsin; member of the American Institute of Accountants, Minnesota Society of Certified Public Accountants, and Tax Executives Institute; past president and director of the Twin Cities chapter and past national director, Institute of Internal Auditors; director of the Twin Cities control, Controllers Institute, and member of its national committee on taxation.


E. M. LEWIS


G. A. ROEDER, JR.

Mr. Church, appointed treasurer of the international division, will continue his duties as assistant treasurer of the parent company. Eugene F. Kindler, named assistant treasurer of the foreign division, began with 3M in 1936 in the work standards department, transferred to cost accounting, became budget supervisor in 1946, then chief cost accountant.

Barnard Townsend has been appointed financial vice president and treasurer, Mohawk Carpet Mills, Inc., Amsterdam, N.Y., to succeed William McCleary, former treasurer, deceased. Prior associations of Mr. Townsend were with the investment banking firm of Lehman Brothers; the Title Guarantee & Trust Company, of which he was president from 1948 to 1950; the Troy Savings Bank, of which he was president 1936-48; and The Hanover Bank, New York, N.Y.

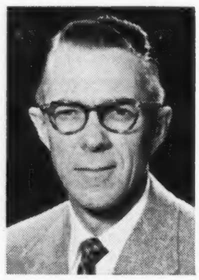
A. R. Shaw, Jr. has been named secretary, Caskie Paper Company, Inc., Charlotte, N.C., and will continue his duties as credit manager. He is a member of the Piedmont Association of Credit Men.


DEWEY WALKER


B. F. COLLINS

George A. Roeder, Jr., second vice president, Chase National Bank of New York, has been appointed officer in charge of the credit department. With Chase since 1947 following graduation from Harvard University Graduate School of Business, he was assigned to the credit department in 1948 and the following year was transferred to the staff for handling midwest business. Advancement to assistant cashier followed in 1951 and to second vice president in 1953.

Herbert E. Nylund has been appointed treasurer, Crown Zellerbach Corporation, San Francisco, Calif., to succeed A. L. Bennett, who resigned because of illness. Mr. Nylund started with the company in 1936 as an accountant and was accounting supervisor before he became assistant treasurer in 1951. Succeeding him as assistant treasurer is William H. Keplinger, formerly credit supervisor.


I. R. HANSEN


C. J. BURNS

Charles J. Burns has been advanced to assistant treasurer, Revere Corporation of America, Wallingford, Conn. He had been controller for two years. A native of Malden, Mass., he holds the B.S. degree in business administration of Boston University (1935). Previous to joining Revere in 1952, he was an auditor with Lever Brothers, the Nepsco Services and Lybrand, Ross and Montgomery, and for eight years had been assistant controller, Consolidated Electric Lamp Company, Lynn, Mass.

B. F. Collins has been named vice president in charge of credit sales, Warner Hardware Company, Minneapolis, Minn. Manager of the credit department since 1921, he has been a director since 1933. He is president of the Charga-Plate Stores in that city and a past president of the Retail Credit Association of Minneapolis.

HERBERT W. THOGODE has been named secretary-treasurer and a director, and JOSEPH G. VAN NEST vice president in charge of purchasing, at Purolator Products, Inc., Rahway, N.J. Mr. Thogode began as an accountant with the company in 1924, one year after its founding. He is a native of Brooklyn, N.Y. Mr. Van Nest had been general purchasing agent for Mack Manufacturing Corporation, Allentown, Pa.

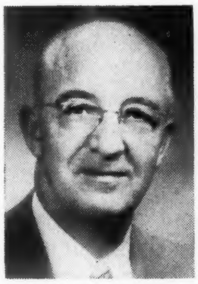
In staff changes at Jones & Laughlin Steel Corporation, Pittsburgh, Pa., HARVEY J. HAUGHTON, director of works accounting since 1952, advanced to assistant controller of the corporation, and CHARLES J. LAUSE, JR., formerly chief accountant of the Cleveland works, succeeded Mr. Haughton.

Mr. Haughton, a graduate of the University of Pittsburgh, had been successively assistant head of the general accounting division, statistician, and assistant to the president. A graduate of the University of Dayton, with the degree of master of business administration from Harvard, Mr. Lause entered the employ of the company in 1947 following Army service and was made chief accountant of the Cleveland works in 1952.

Melvin E. Fry, formerly assistant controller, has become tax consultant-raw materials, and Charles R. Miller, who had been supervisor of the cost systems committee, succeeds Mr. Lause at the Cleveland works.

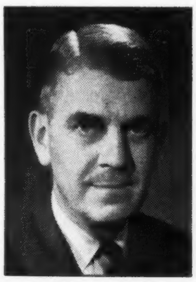
CONGRATULATIONS TO—WILLIAM N. DOSE, formerly division controller, now general controller, Carnation Company, with responsibility for all divisions of the company and its subsidiaries . . . LLOYD C. VOLLING, treasurer and assistant secretary, and A. P. RADEBAUGH, executive assistant to the vice president of production and research, who have been elected by the Green Giant Company, LeSeuer, Minn., to its management group which considers policies, budgets and other operating problems of the company . . . EDWARD M. HENRY, appointed vice president of The Hanover Bank, to supervise operations of the bank's southern division embracing Alabama, Florida, Georgia and South Carolina . . . CLARENCE HARDING, assistant treasurer and controller for nine years, named general manager, Ircal Industries, California subsidiary of the International Resistance Company, Philadelphia, Pa. . . .

ROLAND PIEROTTI, appointed assistant to the president, Bank of America, to succeed R. P. A. Everard, retired . . . HAROLD C. LANG, named assistant treasurer, Columbia Broadcasting System, Inc., New York, N.Y. . . . ROY J. KELLER, advanced to executive vice president, TelAutograph Corporation, New York, N.Y. . . . FREDERICK S. UPTON, named senior vice president, MASON SMITH, finance vice president, and E. C. CUDMORE, appointed corporate controller, Whirlpool Corporation, Chicago, Ill. . . . JOHN F. BERTELSEN, advanced to eastern credit manager, Linde Air Products Company, Long Island City, N.Y., a division of Union Carbide & Carbon Corporation . . . EMILIO G. COLLADO, elected treasurer, The Standard Oil Company (N.J.) . . . JOEL HUNTER, named president, Crucible Steel Company of America, Pittsburgh, Pa., to succeed William H. Colvin, retired.



H. W. THOGODE

WENDELL JONES



W. G. THOMAS

H. J. HAUGHTON

And a word of kudos to MISS KATHERYN M. SHEEHAN, who has been made commercial manager, The Thomas & Betts Company, Inc., Elizabeth, N.J., combining duties of the commercial and credit departments . . . MISS IDA M. FORTMULLER, appointed credit manager, Clifton Conduit Company, Jersey City, N.J. . . . EDWARD KEATING, a vice president since 1950 and a director, who has been appointed executive vice president, Ekco Products Company, Chicago, Ill. . . . CULVER M. LUSSIER, named vice president and treasurer, Sealright Company, Inc., Fulton, N.Y. . . . TODD G. COLE, appointed vice president-finance, Delta-C&S Airlines, Atlanta, Ga. . . . HARRY J. PETTEY, elected secretary and assistant treasurer, Falstaff Brewing Corporation, St. Louis, Mo., to succeed the late Henry Kemper.

ALBERT WAGENFUEHR has been named a vice president of the First National Bank in St. Louis, Mo. The past president of the St. Louis Association of Credit Men and former member of the local advisory committee of the Reconstruction Finance Corporation had been chairman of the executive committee and a director of Boatmen's National Bank, prior to this appointment. He has served as an instructor in the American Institute of Banking and the Graduate School of Banking. Memberships include the Missouri Bankers Association, the Robert Morris Associates, the American Bankers Association and the Association of Reserve City Bankers.

WENDELL JONES, formerly credit manager, W. P. Fuller & Company, Tacoma, Wash., has been appointed to the newly created post of district credit manager with headquarters at Seattle. With the company since 1935, he first worked in the accounting department, then in traffic and sales, becoming office and credit manager in 1947. He was a member of the second year class of the Graduate School of Credit and Financial Management, N. A. C. M., at Stanford University, this summer, is a trustee and past president of the Tacoma Association of Credit Men, and is senior councillor to the Council of Credit Associations of the Pacific Northwest.

WESTON G. THOMAS has been named executive vice president, Climax Molybdenum Company, New York, N.Y. He joined the company as treasurer in 1949 and since 1952 he had been a vice president and member of the board. Previous associations were with Potash Company of America, Denver, where he had been vice chairman of the board, and as assistant vice president, Lehman Corporation. He holds the B.S. in engineering degree of Harvard and during the war he was a commander in the U. S. Naval Reserve. He is a native of Middletown, Ohio.

E. J. KENDALL has been elected president and treasurer, La Salle Extension University, Chicago, Ill. Harold Young was named assistant treasurer.

W. HORACE MASON has been appointed vice president and secretary-treasurer of the Seiberling Rubber Company of Canada. He had been with the parent company in Akron, Ohio, for 26 years before his transfer to the Canadian subsidiary in 1952.

Blind Acceptance of a Debtor's Offer Is Puzzling Tendency in Insolvencies

INVESTIGATE and examine before settling!

Literal and comprehensive application of this admonition proffered by Maxwell S. Mattuck will bring out the true story in practically every instance of bankruptcy or insolvency and will "determine the honesty or dishonesty with which the business was conducted" and the disposition of assets.

M. S. MATTUCK

The kind of investigation by the general creditor body, and its extensiveness, were being discussed by the general counsel of the Fraud Prevention Department, National Association of Credit Men, before a joint session of 100 members of the National Food Credit Group of the New York Credit & Financial Management Association (John W. Sanders, The Best Foods, Inc., chairman) and the National Food Credit Group Associates (Walter B. Ambridge, Beech-Nut Packing Corp., chairman). Among the guests were John C. Fredell, Jr., Department chairman, and Frederick H. Schrop.

"One of the most puzzling aspects of the approach of creditors to an offer of settlement," said Mr. Mattuck, "is the tendency of some to accept blindly what the debtor is offering—blindly, that is, because no serious effort is made to examine into the affairs of the insolvent to see why the insolvency occurred and where the assets went. All too often one reads how in an 'arrangement' an insolvent is offering 10 per cent in partial, or even total, settlement of the outstanding claims against him.

"It has been my experience that comparatively few cases of bankruptcy or insolvency will stand the test of a thorough investigation. By that I do not mean that every such investigation will turn up evidence of actionable fraud. (For example, the financial statement on which credit was issued, though not materially false, might nevertheless not be completely honest.)

"But there must have been some reasons for the debtor's embarrassed condition, and inefficient or incompetent management alone will hardly explain a debtor's delay in meeting with his creditors until his state of affairs has reached such a low ebb that all he can offer by way of settlement is a small fraction of what he owes. If he dares do so, it is only because the experiences of others have taught him to believe that he might get away with it. Clearly under such circumstances an investigation into the debtor's affairs is indicated."

Then how to proceed with the inquiry?

"There are certain minimal requirements which should be met in all cases by a debtor as a condition precedent to an acceptance of any offer of settlement that is being made by him.

"All the books and records must be made available to the accountant who, under retention by the creditors (through their committee), will report on the truth or falsity of any statements issued by the debtor. The accountant's report will also show whether there is an indicated shortage of either merchandise or cash, and the explanation, if any, for it.

"It will show also whether liquidation will net creditors a larger return than the proffered settlement will—an extremely pertinent circumstance though not necessarily controlling.

"The debtor will submit to an examination, informally if an out-of-court settlement is offered, or pursuant to court order if an 'arrangement' is pending.

"All the facts gathered should then be considered by the creditors (or their committee) and only then, under the guidance of competent counsel, will an intelligent decision be reached on what action creditors should take.

"If the point is raised that time may not permit the procedure outlined in the foregoing, the answer is that, with proper cooperation from the debtor, expeditious action *is* possible. At any rate 'Don't buy a pig in a poke.'"

A man doesn't begin to attain wisdom until he recognizes he is no longer indispensable.
—Richard E. Byrd

PARTNER in Mattuck and Mattuck, New York attorneys, and counsel for the Fraud Prevention Department, National Association of Credit Men, Maxwell S. Mattuck formerly was assistant U.S. attorney and chief of the Criminal Division of the Southern District of New York. He is a graduate of Harvard College and Harvard Law School.

George L. McCarthy Dies

George L. McCarthy, chairman of the board of Recordak Corporation, subsidiary of Eastman Kodak Company, died at 67 at Greenwich, Conn. He went to work at the age of 14 as a bank messenger and at 39 was vice president of the Empire Trust Company, New York. His banking experience led to his invention of the machine known today as the Recordak microfilmer.

Henry G. Barbee

Henry Graham Barbee, Norfolk, Va., business and civic leader, who died at 80, had helped organize the Norfolk Tidewater Association of Credit Men in 1908, served as its president (1933-34, 1935-36), and was chairman of its board for 28 years. He also served as a director of National (1912-14) and had been president of the National Jobbing Confectioner's Association. He was active in formation of the Norfolk Chamber of Commerce, as well as the Virginia and United States chambers of commerce. Mr. Barber headed his own company a number of years.

John W. Barr

John W. Barr, retired credit manager, Quaker Oats Company, New York, was 74 at his death. A native of Chicago, he first went to work for Marshall Field & Company in 1897. In 1902 he joined the Quaker Oats Company in Chicago, later was transferred to Philadelphia, then to New York, and retired in 1945. Mr. Barr was a charter member of the National Food Credit Group, New York Credit and Financial Management Association, and on the association's directorate. He was awarded a gold medal for outstanding membership work and in 1945 was elected a life member of the New York association.

O. R. Maris

Owen R. Maris, vice president of the United States National Bank of Portland (Oregon) and president of the Portland Association of Credit Men 1936-37, died at the age of 70.

Moral Fiber versus Compromise Settlements

Quick and Easy Way Out of Dilemma Deplored; Case Histories Prove Point

MANAGEMENT, in addition to protecting the receivables of the company, has a job to do to help keep America's moral fiber strong. and there's no better testing arena than the compromise settlement, says A. W. Hill, general credit manager of E. I. duPont de Nemours at Wilmington, Del.

"Too ready willingness to subscribe to the quick and easy 10 per cent to 25 per cent compromise settlements, which are gaining in popularity," is not the road to proper evaluation of principle, the executive asserts. Then he proceeds to brief four case histories from the duPont files, all illustrative of management's moral responsibility to make it difficult for the chiseling variety of debtor to stay in business or obtain further credit.

1 "A letter from our customer's attorney stated his client's company was insolvent and would settle for 50 per cent. Our request for a financial statement and list of creditors was denied. We refused the compromise, gave the claim to our attorney with instructions to enter judgment against one of the partners, a doctor. We believe that the proper course of action was selected. Why? Because at the sacrifice of a 50 per cent return we have raised a tangible danger signal against further credit dealings with this individual."

2 "The attorney for the debtor, claiming insolvency, wanted to know the least we would accept for our claim. (Why is it that these 'characters' always start at the low point?) Financial statement and names of major creditors were refused. We in turn rejected a 10 per cent offer which was later increased to 15 per cent. Suit was entered."

3 "Here was a case where the corporation's principal candidly recognized his distressed financial condition before we extended credit. Verbally he had assured us that we would never lose a nickel. Almost immediately Chapter XI proceedings ensued, which were terminated with a 12 per cent compromise. Subsequently we reminded the principal of his moral obligation. He not only replied that it was impossible to do anything but actually sought new credit. Obviously this was denied, and he placed his business elsewhere."

4 "This has to do with another Chapter XI proceeding. The principal had written us that he would personally see to it that we would not take a loss. Maybe we were unjustifiably naive without a legal guarantee. On the other hand, I don't criticize our credit men, who extended nominal credit because of the apparently sincere assurance. Here again words, although written, proved meaningless. It is evident that the individual never intends to pay."

WHEN A. W. Hill received his degree from Colgate University in 1924 he became associated with Bradstreet for a short time, then joined the staff of the duPont Rayon Company and duPont Cellophane Company. Named credit manager for these companies, he moved to Wilmington and for six years was division credit manager in charge of rayon and cellophane accounts. Named assistant credit manager in 1943, he continued on to credit manager two years later on the death of C. E. Boston.

Some unprincipled debtors seek refuge in the courts but Mr. Hill's emphasis is on the out-of-court compromisists, "not because of the loss factor but rather because for some time I have sensed that the pendulum of sympathy for distressed debtors may have swung too far from the days when bankruptcy or settlement acted as a clear-cut stigma against business character.

"I am also of the opinion that too frequently we credit men have complacently promoted unwarranted and unjustified settlements because we have thought that 10 per cent or 25 per cent was better than nothing if such debtors turned to bankruptcy. If that is true, I think we have helped to keep a lot of incompetents in business who later will 'stick' you or someone else again. More important is the fact that acceptance of such settlements has, I believe, a definite weakening influence on the moral fiber of American business."

Prerequisite to combating unjustified settlements, chemical and drug and cosmetic credit executives were told at a joint group conference in Philadelphia, is to "make sure our own house is in order." The answer lies in affirmative replies to these questions:

Do we pay our own bills promptly? If a bit pressed for cash, do we write our creditors telling them what to expect? Do we merit bank credit and are we willing to submit a personal financial statement to the bank. Would we be willing to have our wives indorse any notes covering our indebtedness. Would we be willing to turn over to our creditors all our worldly goods if in serious financial trouble? Do we "cut the cloth to fit the suit" in our living expenses? Is our personal record clear and can neighbors honestly rate us above-average credit risks?

(Suggesting this approach, Mr. Hill commends the business creed of President Norman L. Krause of the Krause Plow Corporation at Hutchinson, Kansas, discussed in CFM last December.)

The big step to smoke out the unprincipled debtor is to insist on acceptable financial statements from distressed accounts, "together with names, addresses and amounts owed to at least the principal creditors, before agreeing to any compromise," Mr. Hill maintains. He recites one instance. His company's usual request for a financial statement was ignored but, "as in similar cases," the full amount then was paid. Too, this approach "sufficiently irritates some smart lawyers who have promoted such schemes and lets them know that the company is reasonable but is not an easy mark."

Would Help the Deserving

Not unsympathetic toward distressed debtors willing to put their cards on the table, and not only encouraging settlements with businesses hurt by emergencies such as floods or blizzards but also helping them to get started again and working out practicable plans for full

(Concluded on following page)

A. W. HILL BEGUN ON PAGE 31

payment, Mr. Hill's quarrel rather is with "incompetent humbugs," who should not be "nursed along to become competitors with honest and legitimate customers." He deplores particularly that "many of these outfits are continued as good character risks after a clear-cut swindle."

"I would be the first," he says, "to oppose return to the debtors' prison or stockade," but "it might be a good idea for us again to attach stigma to those who have been willing to squirm out of their debts through the settlement or bankruptcy route. At least we should carefully dig into such cases and completely satisfy ourselves that the transactions were without blemish.

C. R. Fay Heads Controllers; G. W. Schwarz Is Chairman

Charles R. Fay, controller, Pittsburgh Plate Glass Company, Pittsburgh, has been nominated to succeed George W. Schwarz, vice president and treasurer, Wyandotte Chemicals Corporation, Wyandotte, Mich., as president of the Controllers Institute of America. Mr. Schwarz becomes chairman of the board in the September elections. Mr. Fay has been a director of the Institute for the past two years and a regional vice president since 1953. He is a past president of the Pittsburgh Control and from 1951-53 was chairman of the National Committee on Social Security.

C. R. FAY

Seven new regional vice presidents of the Institute were named. Two regional vice presidents were re-elected. Stuart W. McLaughlin, controller, West Virginia Pulp and Paper Co., New York, has been elected treasurer. Paul Haase, managing director of the Institute, continues as secretary.

E. L. Grimes Named Trustee

Edmund L. Grimes, executive vice president of the Commercial Credit Company, Baltimore, has been named a trustee of Controllership Foundation, Inc., the research unit of Controllers Institute of America.

It usually takes me more than three weeks to prepare a good impromptu speech.
—Mark Twain

LETTERS TO THE EDITOR

PERPLEXING INDEED

"If proper credit analysis of your account or prospective sale has been made, and your decision was that the sale would be to a satisfactory account, and you expected the purchaser to abide by the terms of your contract, and he failed to do so, then your job is cut out for you. You must proceed, in the best manner possible, to 'Operation Salvage.' By salvage I mean: wait for your hold-back payments, or take other action.

"If you know that your sale and collection depend on the completion of the job; that there are going to be hold-backs; that your contractors or sub-contractors are not financially sound enough to carry the job, or that they are unable to make satisfactory financial arrangements; that the job is bonded, or perhaps you have lien rights, and you give the sale your approval, then you have a condition that nobody can help you on, except yourselves. You have elected to finance a project. You have become a banker, and probably with less security than a banker would accept, and no doubt without interest.

"As materials credit men, we must educate our customers to the incontrovertible fact that credit is credit—not a gift. It is our employers' money that we are lending to them and on which we will submit terms to which they will adhere.

"I have yet to see long white whiskers grow on a marble front; but, gentlemen, we have a bumper crop on each project.

W. C. Williams
Gordon-MacBeath Hardwood Co., Oakland, Calif.

PLANNING REPRINTS

This is to inquire whether you can kindly permit me to make reprints of the article, "Invisible Mortgages!" (Interview with Mr. Kauffmann-Grinstead on estate planning—Ed.)

K. Kauffmann-Grinstead
Ph.D. (economics), Hot Springs National Park, Ark.

FILES ALL ISSUES

"Thank you for sending the set of Credit and Financial Management for 1950. This is very much appreciated.

"We have been making it a policy to keep the current issues as received, and in that way at the end of the year will have our own complete set. Ours for 1950, however, had been destroyed."

B. K. Fickle
Credit Manager, The Ohio Oil Company, Findlay, Ohio

ORGANIZATIONS RESPOND

I am very pleased with the treatment you gave my article, and have had several organizations call it to my attention.

H. F. Krimendahl
President, Stokely-Van Camp, Inc., Indianapolis, Ind.

POOLED KNOWLEDGE

I was very much interested in the report of the Accountant-Banker-Credit Chief meeting in Philadelphia. We would like to see more of these articles, and your comprehensive report certainly should help to promote them.

Charles E. Noyes
Director of Public Relations, American Institute of Accountants, New York City.

AN EVIDENT CHANGE

The change in the publication which has taken place during the last year is quite evident. I join with many others who have given favorable comment to the present format handling of the magazine.

W. H. Montgomery.
General Credit Manager, The Pure Oil Company, Chicago, Illinois.

READS EACH ISSUE

"I take this opportunity to congratulate you and your staff on the splendid work you are doing with the Credit and Financial Management Magazine. Each issue is well worth the reading."

C. E. Schneider
Credit Manager, Eagle Pencil Company, New York, N.Y.

COVER TO COVER

Since being employed by Pluss Poultry I have become acquainted with Credit and Financial Management and look forward to reading it each month. The articles are all good, interesting, and enlightening, and always I read the publication from cover to cover.

A. X. McCusker
Office and Credit Manager, Pluss Poultry, Denver, Colorado

Guides to Improved Executive Operation

KEEPING INFORMED

REPORT OF RANDALL (FOREIGN TRADE POLICY) COMMISSION—If you have an interest in foreign trade, selling products abroad, or are concerned about competitive imports, you'll want this report. For a copy write Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C. Price 25c.

OBVIOUS ADAMS—The Story of a Successful Businessman. This 38-page book by Robert Updegraff has been reprinted because of the renewed interest in "obviousness" as a factor in business success. The story is followed by five tests, with creative approaches to "obviousness" by the author. This should be of interest to business executives at all organization levels, as well as creative workers, salesmen and merchants. The price is $1 from the Updegraff Press, Ltd., Scarsdale, New York.

BUDGET IDEAS FOR YOUTH—A 15-page booklet explaining the methods by which young folk can do more with their money. Discussed are uses for your money, setting up a spending plan for a week, saving for special uses, and ways in which budgeting can be made easier. Address the National Thrift Committee, Inc., 121 W. Wacker Drive, Chicago 1, Ill. Price 15 cents.

SALES TRAINING FOR THE SMALL MANUFACTURER—Emphasizing that business must stabilize itself by sending trained and well-informed salesmen into the field, this booklet contains a complete outline of a sales training program that the small manufacturer can use with a minimum of time and cost. Many suggestions may be applicable to retail, wholesale and service enterprises as well as manufacturers. Write to the U. S. Government Printing Office, Washington 25, D.C. Price 20 cents.

YOUR EUROPEAN TRAVEL GUIDE—The latest information on passport and currency regulations. Write International Division, Chemical Bank & Trust Co., 165 Broadway, New York 15, N.Y. Free.

Informative reports, pamphlets, circulars, etc., which may be of interest to you. Please write directly to the publisher for them. CREDIT AND FINANCIAL MANAGEMENT does not have copies available.

To expedite receiving these booklets, please address all inquiries concerning Efficiency Tips to CREDIT AND FINANCIAL MANAGEMENT, 229 Fourth Ave., New York 3, N.Y.

EFFICIENCY TIPS

396—COPEASE COMPANY has introduced a photocopier that will expose, develop and print sharp dry photocopies on all types of stock up to 14" wide, with speed and economy. Full details on request.

397—MARCHANT CALCULATORS, INC. on request will furnish booklet covering suggested aids to help cut your figurework costs. Ask for "Index to Modern Figuring."

398—DITTO, INC., has available information and literature on its new full-color duplicating process.

399—ADDRESSOGRAPH-MULTIGRAPH CORPORATION will send you a 28-page booklet on "Selective Control of Business Information," showing the application of Addressograph methods in accounting and statistical functions.

400—THE MCBEE COMPANY will furnish details on economic and expeditious payroll control and check reconcilement that will save operational time.

401—INTERNATIONAL BUSINESS MACHINES CORPORATION will mail the booklet "Welfare Fund Accounting For Building Trades." Described are procedures used for welfare fund accounting in two cases—a statewide plan operating on a weekly basis, and a local plan for a trade functioning on a monthly basis. Both are handled by IBM Service Bureaus, where necessary reports are prepared with punched cards and electronic and electric accounting machines. Also included is a quarterly report for prompt and accurate processing of claims and providing basic data for paying premiums to insurance underwriters.

The best things in life are still free, but the tax experts are working overtime on the problem.

—Anonymous

BOOK REVIEWS

BUSINESS FORECASTING—Wilford J. Eiteman, Ph.D. Clothbound edition, $2.50. Masterco Press Inc., Ann Arbor, Mich.

✦ At a time when the air is heavy or light (depending upon viewpoint) with forecasts of business under conditions of a buyer's market, there comes this volume, "Business Forecasting," with a mathematical and geometric approach to the subject.

Here are chapters on the Theory of Graphs; Definitions and Procedures for Measurements of Sales, Receivables and Cash Receipts; Break - even Graphs; Raw Material Inventories and Accounts Payable; Cash Disbursements for Wages; Receipts, Disbursements and Finished Goods Inventory; Forecasting Sales; and, finally, Forecasting the Business Outlook.

OTHER BOOKS REVIEWED AND RECOMMENDED

PERSONAL FINANCE—Presents nearly 700 pages of detail on all angles of income and expenses. By A.W. Hanson and J. B. Cohen (Richard D. Irwin, Inc.)

A LIFETIME INVESTMENT PROGRAM—A practical book for both amateur and professional investors. By Thomas F. Willmore. $2.75 (Harper & Brothers).

HOW TO SAVE TAXES THROUGH PROPER ACCOUNTING—An excellent review of methods by which businesses may reduce income tax liabilities through use of proper accounting. By Jackson L. Boughner. $5.65 (Prentice-Hall, Inc.)

LEARNING PARLIAMENTARY PROCEDURE—An interesting and informative work using highly readable case studies, verse and cartoons to show how to conduct meetings properly. By Alice F. Sturgis. $5.50. (McGraw-Hill).

THE DICTIONARY OF BUSINESS AND INDUSTRY—Compiled and edited by Robert J. Schwartz. Contains definitions of 45,000 business and legal terms. $8.95. B. C. Forbes and Sons Publishing Co., Inc., New York, N.Y.

GET RICH IN SPITE OF YOURSELF—by Louis M. Grafe. Presents an astonishingly simple formula for success based on fundamental principles of the Bible. $2.00. Hawthorn Books, Inc., New York 11, N.Y.

Books reviewed or mentioned in this column are not available from CREDIT AND FINANCIAL MANAGEMENT unless so indicated. Please order from your book store or direct from the publisher.

CREDIT MANAGEMENT

Highlighting News Activities—National, Regional, Local

Stanford Graduates First Credit Management Class

Thirty financial executives, including two women, from almost all sections of the far west and west, received their executive awards at the close of the third session of the Graduate School of Credit and Financial Management at Stanford University, Palo Alto, Calif. The Graduate School is conducted by the Credit Research Foundation, National Association of Credit Men, Dr. Carl D. Smith, educational director.

C. D. SMITH

The Stanford session is held the first two weeks of July each year; Dartmouth's the first two weeks of August.

Total enrolment at Stanford this year was 95. In the first-year class there were 40; second year, 25; third, 30.

Total enrolment at Dartmouth for the 1954 session was 200, with 80 first-year members.

Four special awards are made annually at each session. Three of the awards are made to members of the graduating class, and a fourth is given for the most correct forecast of key economic indices. The forecasts made in the current sessions will be the basis for selecting the winners next summer.

Stanford's winner in the forecasting contest this year was M. E. Bruce, assistant credit manager, Humble Oil and Refining Company, Houston. Mr. Bruce was a second-year member this summer.

Winners of Awards Named

From the graduating class, William H. Johnson, vice president, Anglo California National Bank, Sacramento, was selected for the Alumni Award for Leadership. The award is presented by the Alumni Association of the Graduate School to the member of the graduating class who, in the opinion of his fellow class members and faculty, "has made the most outstanding contribution of leadership to his class and to the Graduate School."

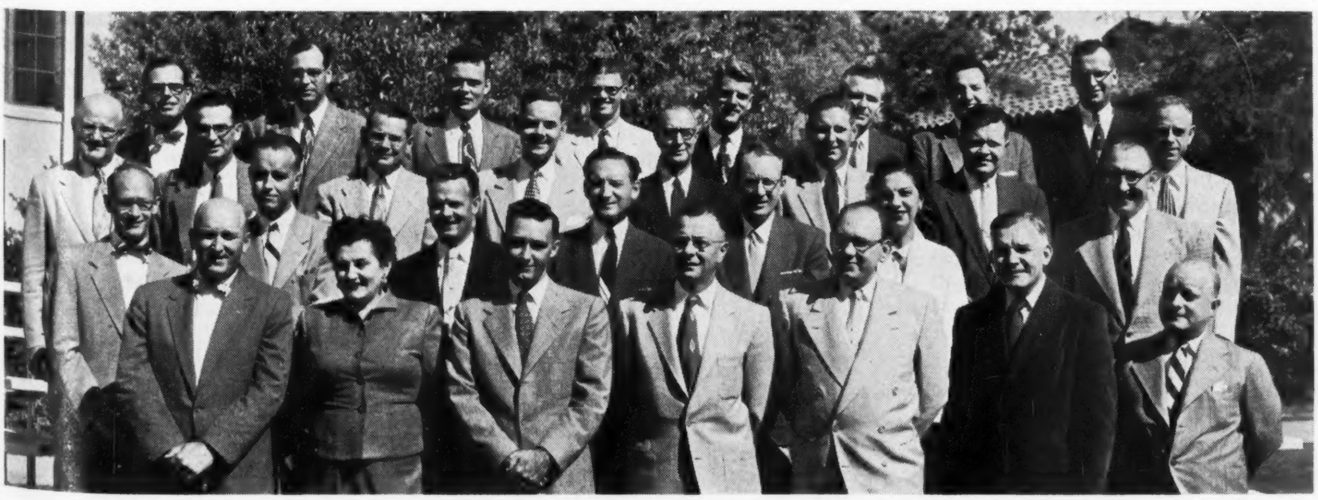
The Paul G. Hoffman Merit Award at Stanford was won by Harry M. Walker, Jr., assistant regional credit manager, Standard Oil Company of California, Los Angeles, adjudged by classmates and faculty as the graduate who had "demonstrated the most marked development of executive abilities."

The Stanford recipient of the American Petroleum Credit Association Award, presented annually to the member of the graduating class whose management study report is judged best, was Fred H. Jones, general credit manager, Kaiser Steel Corporation, Oakland. Mr. Jones' report, given "superior" rating, was entitled "Marketing and Financial Characteristics of Pacific Coast Steel Warehouse Distributors."

Authors and titles of five additional reports submitted for graduation which received "superior" ratings were:

Wayne L. Shaffer, division credit manager, Pittsburgh-Des Moines Steel Co., Santa Clara, "Bond Protection for the Supplier in the Construction Industry"; Ray C. Major, credit manager, California and Hawaiian Sugar Refining Corp., Ltd., San Francisco, "A Constructive Analysis of C. & H. Credit Practice—1953"; Lewis E. Banker, assistant to the general credit manager, Standard Oil Company of California, San Francisco, "How Credit Can Best Be Used"; Ray H. Richards,

(Concluded on page 36, column 3)



First Diplomates of Stanford CFM Graduate School Receive Executive Awards

FIRST ANNIVERSARY MEETING of National Food Equipment Manufacturers Credit Group. Organized to provide a specialized credit service on a national basis to supplement their general credit services in connection with restaurant and hotel supply dealer accounts, the Group has aroused enthusiastic support for its service features and membership has increased considerably since its inception. Members are located throughout the country and four meetings are held yearly, in New York, Chicago and other cities.

The Chicago Association of Credit Men has been designated as the service office. Group chairman is R. J. Benziger, credit manager, Libbey Glass Co., Toledo, Ohio; vice chairman is T. V. Tegger, assistant treasurer, G. S. Blakeslee & Co., Chicago; secretary of the Group is Hollis Robinson, manager interchange department, Chicago Association of Credit Men.

Seated (l to r)*: Marvin L. Simon, Ekco Products Co., C. P. Schmidt, Miller & Carrell Mfg. Co., M. Kalin, Koch Refrigerators, Inc., Charles E. Beisler, Universary Dishwashing Machinery Co., Hollis Robinson, R. J. Benziger, D. M. Forsyth, Federal Glass Co., T. V. Tegger, Hildegard Boese, Seco Co., Inc., Ella M. Westbrook, Sparkler Mfg. Co., Burnedette Harding, Malleable Steel Range Mfg. Corp. Standing (l to r): Chas. Christensen, Hotpoint Co., W. J. Jacobi, Hotpoint Co., W. L. Haney, Chicago Association of Credit Men, L. B. Nelson, Hamilton Beach Co., M. A. Stala, Bloomfield Industries, Inc., Robert Dick, Stainless Food Equipment Co., H. F. Huddleston, Leitner Equipment Co., C. C. Coy, Vulcan-Hart Mfg. Co., W. E. Sharpe, Groen Mfg. Co., W. E. Pickin, Wellsville China Co., E. C. Ziegenfus, Carrollton Mfg. Co., A. J. Sagner, Star Mfg. Co., Harold W. Potts, Enterprise Aluminum Co., John Glass, Corning Glass Works, G. T. Smith, Aluminum Cooking Utensil Co., C. J. Newman, Shenango Pottery Co., R. A. Stroube, Chicago Association of Credit Men, and Charles Gibbs, who is on the staff of the National Association of Credit Men.*

Bad Debt Percentage Drops In Terms of Sales Increase

While the number of failures in the food manufacturing industry in 1953 increased as compared with the preceding year, the ratio of bad-debt losses to total sales decreased, according to the latest survey by the National Food Manufacturers Credit Division, National Association of Credit Men. "From these findings the conclusion can be drawn that the decrease in the bad-debt ratio is due primarily to an increased sales factor," reports J. W. Sattazahn, credit manager, Scott Paper Company, Chester, Pa., chairman of the Group's operations committee.

The average percentage of bad-debt losses to total sales for 1953 was .0206 per cent, compared with .0533 per cent for 1952. Sixty-seven concerns participated in the 1953 survey. Sixty concerns reported in 1952. A comparison limited to the same 48 members who responded to both annual surveys showed a ratio of bad-debt losses to total sales of .0163 per cent for 1953, compared with .0318 per cent for 1952.

Mrs. Radford Heads Group

Mrs. Mary F. Radford, Busch Camera Corporation, Chicago, has been named chairman of the Chicago-Midwest Photographic Manufacturers and Distributors Credit Group, which is affiliated with the National Association of Credit Men. Kirk E. Fisher, Argus Cameras, Inc., Ann Arbor, Mich., was named vice chairman.

Bittmann Retires; Helped Form Credit Men's Round Table

Completing 54 years' consecutive service with Cone Mills, Inc., New York, during the past ten years of which he has been treasurer, Charles Bittmann now has retired. It was as an office boy that he entered the employ of the cotton piece goods commission house, then known as Cone Export & Commission Co.

Mr. Bittmann is a charter member of the Credit Men's Round Table, which led to the formation of the Downtown Textile Credit Group in 1929. He became president of the Group in 1931 and was made an honorary member in 1953. He also aided in the organization of the Textile Square Club. In the New York Credit & Financial Management Association he was a director 1929-33 and was vice president of the New York Credit Men's Adjustment Bureau 1929-30.

We are all inclined to judge ourselves by our ideals; others by their acts.
—Anonymous

Sweet Uses of Adversity in Akron Executive's Life Story

Learning early that he would have to fight for everything he got, E. W. Alexander, of Akron, Ohio, took on amateur boxing, found it good training for both body and mind. Now general manager of the Summit Division, Consolidated Grocers of Chicago, "Ernie" Alexander worked his way up from office worker, truck driver and warehouseman, to the top level of a wholesale grocery concern which grosses $6 millions yearly. A past president of the Akron Association of Credit Men and since 1944 president of the Grocer's Institute, Inc., of Akron, operators of the Square Deal Stores, Mr. Alexander's career was the subject of a feature article in the Akron *Beacon Journal*. He may have been an amateur in the ring but E. W. Alexander has proved himself a "pro" in life's battle, says the Akron newspaper's article in substance.

STANFORD BEGUN ON P. 35

division credit manager, Shell Oil Company, Sacramento, "The Retail Credit Man's Role in Improved Customer Relations in the Petroleum Industry"; Emil E. Kostner, secretary-treasurer, Thorp Finance Corporation, Thorp, Wis., "The Use of Subordinated Debentures in Raising Capital Funds for Sales Finance Companies."

Too many people lose an argument with an alarm clock because they take it lying down.

—Anonymous

Graduate School Alumni Elect Chester A. Potts

Chester A. Potts, division credit manager, Berger manufacturing division, Republic Steel Corporation, Canton, Ohio, has been elected president of the alumni association of the Graduate School of Credit and Financial Management of the Credit Research Foundation, N.A.C.M. He is a member of the class of '53, Dartmouth graduate school.

C. A. POTTS

Other officers chosen are: Garnett Carter, vice president, Fulton National Bank, Atlanta, (Dartmouth '52), alumni vice president, and Edward Argus, secretary, The Julian & Kokenge Company, Columbus (Dartmouth '53), treasurer. Dudley Meredith, secretary and executive manager, The Credit Association of Western Pennsylvania, Pittsburgh, is secretary of the alumni.

Named as directors: Walter M. Sharp, assistant vice president, Bank of America N.T. & S.A., Los Angeles (Dartmouth '53); Richard H. Oakley, general credit manager, The Glidden Co., Cleveland, Ohio, (Dartmouth '53); and Edward Knaus, National Credit Office, New York, N.Y. (Dartmouth '51).

The alumni association is presenting a leadership award to the outstanding member of the graduating class, both at Stanford and at Dartmouth. Standard this year graduated its first class to complete the three-year course.

Free Competition Is Denied To Railroads, Says Fairless

"The railroads of this country have for the past two-thirds of a century been denied one of the basic American economic freedoms, 'the freedom to compete,' and some 13,000 steelworkers are out of jobs today because the railroads cannot buy the equipment they should buy, and would buy if they could afford to do so," said Benjamin F. Fairless, chairman of the board of United States Steel Corporation.

Modernized Credit Strategy Prefaced by Self-Analysis

MODERNIZATION is as applicable to credit as to any other yardstick of our business economy. In a transitional period of increasing competition such as now, the credit executive must prepare thoroughly his strategy to meet the changed conditions. Now is the time to determine where to "draw the line" in arrangements with customers, to fix the limit of dollar volume the company is prepared to carry. The credit executive with a plan is better fortified to meet the unexpected. A policy of "wait and see" leads to concessions made under stress, and invites a credit situation increasingly difficult to control.

These precepts are set forth by R. C. Lindholm, credit manager, John Wood Company, Bennett Pump Division, Muskegon, Mich., who sums up the credit executive's responsibility to top management, to the customer, and to himself in the competitive era.

He urges comprehensive "self"-analysis, with the credit officer asking himself these questions: Does my own department meet the tests of cost, quality and quantity the same as any other department of the company? Are all the procedures necessary? What expenses can we eliminate? How does our delinquency and bad-debt ratio compare with the national averages for various areas? Are we carefully analyzing the orders turned down? Do we exhaustively investigate orders refused by our department but accepted by our competitors? What do our salesmen indicate regarding their experience with competition relative to our credit policy?

Too many customers with limited working capital still buy as though they were in a war economy and anticipated rationing of materials any day, notes Mr. Lindholm, predicting increased demand for extended terms and additional requests for instalment transactions. Now the credit executive should determine the terms required for his differing types of customers. He must educate the slow-paying group of regulars to plan their purchasing to conform with their working capital. For the honest customer who runs into trouble, the deferred terms which can be offered may save the day and thereby save the customer, he adds. We can expect more open sales to be converted to deferred terms after shipment and should know how far we are willing to go with our concessions. We should make our policies thoroughly understandable to the customer, and then firmly maintain them to the letter, even on cash discounts, Mr. Lindholm advises.

Top management's responsibility is to keep the credit executive fully informed. This includes such information as what slowness of payment he can allow in his efforts to boost sales volume, what part of the market his company expects to gain in relation to its competitors, what credit policies will have to be established to attain his goal. Certain credit policies of the company may require changing to meet existing conditions. The credit executive has the responsibility of selling his management on changing, canceling or establishing credit policy to meet the challenge of a shifting business economy, Mr. Lindholm emphasizes, and in the final analysis, the credit manager must know his company and work closely with top management.

Robert Morris Associates Name E. F. Gee President

Edward F. Gee, vice president and secretary, State-Planters Bank & Trust Company, Richmond, Va., has been elected president of Robert Morris Associates for the coming year. An active worker in the promotion of banking and mercantile credit operations, he is a past president of the Richmond chapter, American Institute of Banking, and the Carolina-Virginias chapter, Robert Morris Associates, currently president of the Richmond Association of Credit Men, as well as a member of numerous banking committees. A C.P.A., he is the author of *The Evaluation of Receivables and Inventories* and co-author of *Analyzing Financial Statements.*

E. F. GEE

A budget is a device that enables two people to go into debt systematically.

Community Thinking Is Management Duty At Both the Wholesale and Retail Levels

COMMUNITY thinking is a part of credit management's job at both the wholesale and the retail level, in addition to organizational and departmental attentions, in top management's program for volume business. The wider horizon is both a larger responsibility and greater opportunity for service.

"Community thinking is required," says Dr. Preston H. Scott, of Wayne University's school of business administration, accounting department, "because every company does business in a community whether the area is restricted or nation-wide. Therefore, top management has a right to expect that those people who deal with the credit that is to be extended will know the general economic problems, the problems faced by customers, the inner-relations involved in the feelings, attitudes and thoughts of people.

"This is true likewise because a credit department, like any other department of an organization, is part of a functioning whole. Problems of production, sales, purchasing, personnel, become a part of the credit man's equipment if the credit department is to operate effectively.

"Regardless of what our position is in any organization, no part of the organization can function by itself but must be an integral working part of the whole. In business today, while it is true that this whole represents the company of which we are a part, it is also true that the successful operation of a company is involved in the problems of its customers, and problems—economic or otherwise—that concern the total picture of distribution."

From the Retail Standpoint

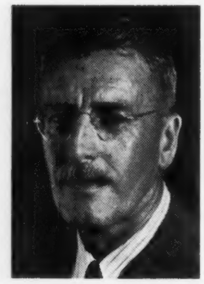
J. W. Paynter, controller, J. L. Hudson Company, Detroit, Mich., crystallizes in action-words what "top management justifiably expects of credit management" performance-wise:

(1) *Formulate* and formalize a workable credit operation policy which will be in complete compliance with over-all company policy and which will result in a satisfactory total company profit.

(2) *Generate* business through credit sales promotion and through use of credit as a real customer convenience.

(3) *Perform* all management functions pertaining to the extension, control and collection of credit, including planning and supervision of work performance.

J. W. PAYNTER



DR. P. H. SCOTT

(4) *Manage* credit sales and receivable assets in the most efficient manner possible, in manner generally satisfactory to company, customers and public.

(5) *Maintain* goodwill in customer relations, at the same time enforce terms and collect outstandings on schedule.

(6) *Comply* loyally with policies, procedures and practice whether written or not.

(7) *Accept* full responsibility for functions assigned and be fully accountable therefor.

To the merchandising department, the credit manager should provide credit plans for the sale of high unit priced merchandise, suggest types of merchandise for credit selling. To sales, he is to provide clear, factual information on credit policy, and information that will facilitate a better job of retail selling. To training, he must furnish information relative to credit plans and policies, and review new selling procedures in relation to their effect on credit department operation.

These authorities presented the viewpoint for top management at a symposium held by the Detroit Association of Credit Men. The panel also included Herbert H. Gardner, Detrex Corporation, and K. C. Tiffany, Burroughs Adding Machine Company. Dr. Preston Scott was panel moderator, and W. W. Baird of Detrex was program chairman.

Stockton Credit Women Elect

The newly chartered Stockton (California) Credit Women's Group elected Mrs. Mable Groom, Flotill Products, Inc., president; Miss Elizabeth Clark, Stockton Box Company, vice president; and Miss Josephine Wiltse, Stockton Chapter of Credit Managers Association of Northern and Central California, secretary.

Survey of Bank Credit

Most of the leading commercial banks of the nation supplied information for "A Survey of Bank Credit to the Finance Industry and to Consumers," the results of which are condensed in a survey released by Robert Morris Associates.

The survey, broken down by size of banks, shows the nature of their commitments to the finance companies in relationship to the extension of consumer credit by the banks. The report also presents survey findings on the various measuring guides used by banks in limiting total lines of credit to finance companies; definition of a borrowing base, and the variations in commensurate balance requirements.

Copies of this survey are available at $2.50 each, from Mr. Lawrence Knier, Executive Secretary, Robert Morris Associates, 1417 Sansom Street, Philadelphia 2, Pa.

Meredith Completes 30 Years Of Service to His Association

Dudley R. Meredith, secretary and executive manager of The Credit Association of Western Pennsylvania, is in his 31st year of service with the Pittsburgh association. In July 1924, following graduation cum laude from the University of Pittsburgh School of Business Administration, he went to work for the association as assistant manager of the Credit Interchange Bureau; since July 1949 he has held his present position. Earlier, during high school and college, he had acquired his first business experience with the First National Bank of Crafton, by whom he was employed eight years.

DUDLEY MEREDITH

Mr. Meredith is a holder of the Fellow Award in the National Institute of Credit, is the only Association secretary who has received the Executive Award for completion of the three-year course of the N.A.C.M. Graduate School of Credit and Financial Management at Dartmouth College, and is secretary of the alumni association of the Graduate School. He is one of the founders and now assistant secretary-treasurer of the Association of Eastern Petroleum Credit Managers. He has devoted his business career to the advancement of the credit profession and organizations.

Four of Five Audit Reports Comply on Disclaiming Opinion

Four out of five of audit reports submitted for credit purposes and examined by the banks, in a survey conducted jointly by banks and certified public accountants, "were in compliance with the recommendation that an auditor should disclaim an opinion, and state his reasons for doing so, when the terms of the audit engagement do not justify an opinion." While this auditing standard is not yet a part of the code of professional conduct, the American Institute of Accountants committee on auditing procedure expressed gratification with the survey results.

The committee, reporting on the survey, expressed concern over the number of reports indicating that the auditor had not observed the physical taking of inventory or confirmed accounts receivable. Thirty state societies of C.P.A.'s, as well as numerous representatives of Robert Morris Associates who helped organize it, and approximately 300 banks participated in the survey, which was arranged to test the degree of compliance with auditing standards recommended by the Institute in recent years and as a basis for improving the quality of audit reports.

Messer to Retail Credit Men: Credit Develops with Mankind

Hardly an "upstart," the development of the institution of credit practice closely parallels the history of mankind, D. M. Messer, vice president and treasurer, Dohrmann Commercial Company, San Francisco, told conferees at the 40th annual international consumers credit conference held in San Francisco. The immediate past president of the National Association of Credit Men, author of "Credit—Its Evolution and Romance through the Ages" (published in full in CREDIT AND FINANCIAL MANAGEMENT June, August) traced to the pre-Christian era the use of various credit tools, such as security, mortgages, advance deposits and trusts, and noted the quickened pace of our times.

The contributions of the National Retail Credit Association and the National Association of Credit Men, whose combined memberships aggregate 75,000 business firms, corporations and partnerships, were discussed by Mr. Messer, who cited as illustration the meeting last year with the judiciary committees of the House and Senate to oppose objectionable features of the Langer amendments to the National Bankruptcy Act.

THE NEW TEAM AT BRIDGEPORT, CONN.—President John M. Ray of the Bridgeport Association of Credit Men (left center), *assistant treasurer, Bridgeport Engravers Supply Co., receives the symbol of office from outgoing president, now counselor, Theodore I. Wilkinson, assistant vice president, First National Bank & Trust Co. of Bridgeport. Looking on are* (l to r) *guest speaker Joseph G. Shapiro, local attorney and charter member of the association; Vice President William E. Newbauer, secretary, Electric Heater Co.; Secretary Catherine T. Lee, credit manager, The Bassick Co., and Treasurer Willett F. Divine, credit department, American Chain & Cable Co., Inc.*

(Photo—Brisko Bridgeport Post)

Problems of Credit, Debt, Bankruptcy Weighed against Future for Business

Economic problems of debt and credit, bankruptcy and the business future shared first place in addresses before the 37th annual state conference of the Connecticut Association of Credit Men, comprising Hartford, New Haven, Waterbury and Bridgeport, held at Danbury, with the Bridgeport association as host. A full program of speakers was skillfully timed to allow a relaxing interval of golf and sports.

"Some Thoughts on Credit and Debt" was the topic of morning session speaker Dr. Hans Apel, chairman of the department of economics, University of Bridgeport, a graduate of the University of Berlin and Ph.D. of Boston University. Dr. Apel at 32 headed a major corporation and for 20 years was a business executive in Germany. Second speaker of the morning session, Robert E. Trevethan, of the law firm of Curtis, Trevethan & Gerety, Bridgeport, and referee in bankruptcy for Fairfield County, discussed "Bankruptcy from the Credit Man's View."

Roy L. Reierson, vice president, Bankers Trust Company, New York, head of the economics department, C.P.A. and former consultant to the board of governors of the Federal Reserve System, addressed the dinner group on "The Economic Outlook." Alfred V. Bodine, The Bodine Corporation, Bridgeport, former president of the Bridgeport Chamber of Commerce, was toastmaster. Frederick F. Robinson, C.P.A., past president of the Bridgeport Association, presided at the luncheon, at which John R. Heery, United Illuminating Company, New Haven, a director N.A.C.M., spoke. Mayor John P. Previdi and selectman Joseph H. Sauer of Danbury welcomed the group.

Edward D. McKee, Winchester Repeating Arms Co., New Haven, as the president of the Connecticut association, was chairman of the forenoon business session. John M. Ray, Bridgeport Engravers Supply Co., president of the Bridgeport association, was conference chairman.

CALENDAR OF EVENTS IMPORTANT TO FINANCIAL MANAGEMENT

VANCOUVER, B.C., CANADA
September 13-14-15
N.A.C.M. Secretary-Managers (Western Division) Conference

ST. PAUL, MINNESOTA
September 17-18
Annual North Central Credit Conference, covering Minnesota, North and South Dakota and Winnipeg Division of Canadian Credit Men's Trust Assn., Ltd.

SAN DIEGO, CALIFORNIA
September 27-28-29
Annual Pacific Southwest Credit Conference.

HARRIMAN, NEW YORK
September 27-28-29
Research Foundation Credit Workshop

CLEVELAND, OHIO
October 3-4-5-6
Robert Morris Associates Fall Conference

GREEN BAY, WISCONSIN
October 12
Annual Wisconsin-Upper Michigan Credit Conference

CHICAGO, ILLINOIS
October 13
Illinois Fall Regional Conference

SIOUX CITY, IOWA
October 13-14-15
Tri-State Credit Conference, comprising Iowa, Nebraska and South Dakota

PHILADELPHIA, PENNSYLVANIA
October 14-15-16
Tri-State Credit Conference, comprising New Jersey, New York, Eastern Pennsylvania, District of Columbia, Maryland and Virginia

GRAND RAPIDS, MICHIGAN
October 19
Annual Michigan Credit Conference

NASHVILLE, TENNESSEE
October 20-21-22-23
Annual Southeastern Credit Conference, covering Tennessee, Mississippi, Alabama, Georgia, Florida, South Carolina and North Carolina, Louisiana.

ST. JOSEPH, MISSOURI
October 20-21-22
Quad-State Annual Credit Conference, comprising Missouri, Kansas, Oklahoma and Southern Illinois

SAN ANTONIO, TEXAS
October 21-22-23
Annual Southwest Credit Conference, covering Texas, Louisiana, Arkansas, Oklahoma, New Mexico and Arizona.

TACOMA, WASHINGTON
October 23, 24
Northwest Credit Women's Conference

DES MOINES, IOWA
October 23-24
Mid-West Credit Women's Conference

BOSTON, MASSACHUSETTS
October 27-28
Annual New England District Credit Conference, covering Connecticut, Rhode Island, Massachusetts, Maine, New Hampshire, Vermont

COLUMBUS, OHIO
October 29-30
Ohio Valley Regional Credit Conference, covering Ohio, Western Pennsylvania, West Virginia, Kentucky and Eastern Michigan.

LOUISVILLE, KENTUCKY
November 10
Credit Research Foundation Trustees

LOUISVILLE, KENTUCKY
November 11-12-13
N.A.C.M. Board of Directors

KANSAS CITY, MISSOURI
November 14-15-16
American Petroleum Credit Conference

CHICAGO, ILLINOIS
May 8-12
59th Annual Credit Conference and Convention, National Association of Credit Men

Ahlers Selected as Toledo Credit Executive of Year

In recognition of his outstanding contributions to the profession extending over many years, A. H. Ahlers, assistant secretary, assistant treasurer and general credit manager, Owens-Illinois Glass Company, has been designated Toledo's "Credit Man of the Year." The selection was announced at the annual dinner of the Toledo Association of Credit Men.


A. H. AHLERS

In making the presentation of the award, last year's recipient William Fox, treasurer, Heating Trade Supplies, Inc., said: "It was through Mr. Ahlers' tremendous efforts and personal energies that the Toledo association survived in the '30s. In 1938 and 1939, when he was president, he revived the organization and imbued it with new vigor after it had faced virtual financial ruin. We know of no man who has contributed so much to the credit profession." A number of notes that Mr. Ahlers had personally indorsed both as president and as treasurer were returned to him as mementos.

Some 35 years ago "Al" Ahlers began with Owens-Illinois in the accounting department. For the last eight years he has been assistant secretary, assistant treasurer and general credit manager, in charge of all credits and collections in the company and its various divisions and subsidiaries, along with other responsibilities attendant upon treasury department functions. He is a graduate of New Bremen (Ohio) high school and attended the University of Toledo.

Nowadays the thing to put aside for one's old age is all thought of retirement.
—Anonymous

ACHIEVEMENT OF CREDIT EDUCATION GOAL earns 15 rising Georgia credit careerists the Associate Award key of the National Institute of Credit under the program sponsored by the Georgia Association of Credit Management in cooperation with the Atlanta division, University of Georgia. At the honors night exercises held by the university, the keys were presented by Joseph G. Martin, Westinghouse Electric Corporation, Atlanta, president of the Georgia association, to (front row, l to r): *Robert L. Becker, Frank H. Strickland, Edward J. Russell, William W. Murphy, C. Clayton Dugas, Hicks H. Ashmore.* (Back row, l to r): *Oliver M. Blanton, James W. Brown, Herbert A. Chance, Nathaniel Leonard Chandler, Clyde Benton Jones, Noble Merritt McGuire, James B. McPherson, Orville Keith Smith. Not in the picture: Lawrence H. Tenney. W. Le Roy House, The Electric Supply Co., first vice president of the Georgia association, is credit education committee chairman.*

National Institute of Credit Enrollment Up 25 Per Cent

A 25 per cent increase in enrollments for the school year 1953-54, as compared with the preceding year, is reported by the National Institute of Credit, National Association of Credit Men. Los Angeles led with 299 registrants. New York followed with 260; Boston with 131 and San Francisco 105, were next. Now in its 36th year, the Institute supervises a program of training for credit folk from the time they enter the profession through their eighth to tenth year of experience. The program is conducted through local association chapters in cooperation with colleges and universities, and through correspondence courses.

Ralph Coleman Featured

Many small and medium sized businesses seeking the answer to rising competition are overlooking the credit executive's role in the competitive market. Big business has recognized his importance, particularly in the area of counseling the customer on various operations of his business, declared Ralph H. Coleman, executive secretary of the Cleveland Association of Credit Men, in an interview reported in the Cleveland *Press* in Robert Seltzer's column, "Business and Finance."

Woodworth Grand Zebratary Besides Western Ranger

Arthur Woodworth, divisional credit manager of the Wilshire Oil Company, Inc., Richmond, Calif., besides being the newly elected Western Ranger of the Royal Order of Zebras, has been named Grand Zebratary by Wesley C. Williams, Grand Exalted Superzeb, who is credit manager of the Gordon-MacBeath Company, Oakland. Mr. Woodworth, Junior Past Superzeb of the Oakland Herd, succeeds Kenneth C. Bugbee, whose duties as secretary-manager of the Wholesalers Credit Association of Oakland and Zebratary of the Oakland Herd necessitated relinquishment of the Grand Zebrataryship.

A new and breezy monthly bulletin publication, replete with items "to help keep you Zebras informed of what goes on within the Grand Corral and among the several Herds," is titled "From the Nosebag to the Hoofprint." It is the work of GES Williams and GZ Woodworth.

Cincinnati Fraud Prevention Group Is Headed by Hulbert

At the organization meeting of the Fraud Prevention Committee of the Cincinnati Association of Credit Men, President Paul W. Cutshall, South-Western Publishing Co., named as chairman F. M. Hulbert, of The Procter & Gamble Distributing Company. Mr. Hulbert, a member of the board of the National Association of Credit Men, has with him the following committee members: L. J. Gruber, Central Carton Co., Edward Heine, H. A. Seinsheimer Co., J. A. Nickerson, Trailmobile, Inc., M. H. Anderson, Graybar Electric Co., and William N. Stephens, The Gruen Watch Co., all of Cincinnati.

F. M. HULBERT

A chip on the shoulder indicates a block of wood higher up.

—Cooke Clarion

MANAGEMENT IN THE NEWS

Traveling Auditor Moves Up to Vice President and Treasurer

Steady progress through an admixture of professional education in the fields of law and accountancy and a diversity of responsibilities within the Fidelity and Deposit Company of Maryland marks the career of Harry Y. Wright, who has been advanced to vice president and treasurer. He also is a director in the Baltimore company. Mr. Wright began in the accounting department of F. & D. in 1924 and then was a traveling auditor for several years. In 1945 he was named assistant treasurer of F. & D. and its affiliate, the American Bonding Company, and in 1948 was appointed controller and secretary. A year later he became treasurer of both companies, relinquishing the controllership but retaining the secretary post. A native of Baltimore, he is a graduate of Baltimore City College and the University of Baltimore law school. He is a member of the Maryland bar.

New Secretary-Treasurer Has Seen Host of Changes

A world of change underlies the span of the career of William B. Peters who began his employment with J. I. Case Company, Racine, Wis., in 1912. Recently he was appointed to the combined office of secretary-treasurer of the company. Keeping abreast of the developments in business and technology, he advanced to the head of the factory accounting division in 1935, to assistant secretary in 1938, treasurer in 1943, and secretary in 1944. He was born in Milwaukee in 1894 and is the dad of four daughters.

Transition from Medicine to Credit "Doctor" Found Easy

When Marshall Rhea made his decision to turn to the business field after completing medical studies, the change was not so radical as may seem at first glance, since obviously business health requires professional care just as human health does, which is where the credit specialist comes in. Born in Levelland, Texas, in 1926, Mr. Rhea studied medicine for two years at Southwestern Medical Foundation, Dallas, before he took his B.B.A. degree in business management at Texas Technological College, Lubbock. In 1948 he went with Marsh

H. Y. Wright

J. T. Foerth

W. B. Peters

H. L. Reynolds

Marshall Rhea

J. L. Shaughnessy

Electrical Supply, Amarillo, and is a partner and assistant manager. He recently was elected president of the Wholesalers & Manufacturers Association, Inc., Amarillo. Among "Doc" Rhea's prescriptions: "It takes twice as many muscles to frown as it does to smile, so why not smile."

Buffalo Executive Chosen to Lead in Banking and Credits

A former president of the American Institute of Banking, Buffalo chapter, John L. Shaughnessy, assistant vice president of the Liberty Bank of Buffalo (New York), has been elected president of the Credit Men's Association of Western New York. He also has served on various committees of the credit association and as a director. A loan officer of the bank, with which he first became associated 29 years ago, Mr. Shaughnessy in 1948 completed commercial banking studies at Rutgers University graduate school of banking, proving the truism: "The man who adds to his professional reserves at the same time augments the reserves of his organization."

Shop, Office, Management Posts Span 42 Years in One Company

Additional company recognition came to Joseph T. Foerth recently when he was named vice president of The Bassick Company, Bridgeport, Conn., a subsidiary of the Stewart-Warner Corporation. A director, he previously had been controller of the company. Forty-two years ago he started with Bassick as office boy in the Universal Caster & Foundry division. Steady progress followed to billing clerk, cost and payroll supervisor, factory accountant, assistant secretary and assistant treasurer and controller. He is a regional vice president and national director of the Controllers' Institute of America, the first treasurer of the Bridgeport chapter of the National Association of Cost Accountants, a past president of the Bridgeport Association of Credit Men, past president of the Bridgeport Tax Forum, a member of the Bridgeport Manufacturers Association and the Chamber of Commerce, and president of the Algonquin Club. A native of New York City, he studied at the City College of New York.

Company Treasurer Was Railway Telegrapher and Postal Clerk

Nothing is accomplished without enthusiasm. The career of Harry Lewis Reynolds, treasurer and a director of The Thew Shovel Company, Lorain, Ohio, shows he has that trait in abundance. Born in 1888 in Nevada, Ohio, Mr. Reynolds began his working career at 13. He became a railway telegrapher for the Erie Railroad, turned to clerking, first for an electric company, then in the Elyria (Ohio) post office, before joining the Thew company in 1917 as a clerk in the bookkeeping department. Advancement followed steadily. He was made assistant treasurer in 1920, assistant secretary and treasurer in 1923, personnel relations director in 1946, and treasurer in 1952. He is a director of the Policeman's Pension Fund of Elyria, a member of the board of the Lorain County Tuberculosis Sanatorium, member of the Elyria and Lorain chambers of commerce, past president of the Elyria Community Chest. Mr. Reynolds is president of the Cleveland Association of Credit Men.